Recent Economic Developments in Russia

BY

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NOTE BY THE DIRECTOR

At a conference held by the members of the Committee of Research of the Carnegie Endowment in Paris in September 1919 it was decided that a series of short monographs on the economic effects of the war in the countries that were directly engaged in it should be published in advance of larger works which had been planned. The present volume contains three of these monographs, which will be followed by others, the completed series constituting a highly useful compend of information concerning the economic effects of the great struggle. The three treatises now issued are so short and their subjects have so much kinship that it seems best to combine them in a single cover.

John Bates Clark,
Director.

PREFACE

The author of the present publication on the economic condition of Russia during and after the World War has for a number of years carefully studied the economic development of his country and treated it in various investigations in Russian periodicals—thus in the weekly journal of the Russian Ministry of Finance—and in independent monographs. On the occasion of the revision of the Germano-Russian commercial treaty he was in 1912 sent to Berlin by the Government and after the outbreak of the War he moved to Denmark where he stayed for several years.

Even for a native of Russia it is not easy, of course, to form an objective opinion on the present happenings in Russia and especially when the investigations can not be carried on within the frontiers of that country. But the author's method contains in itself a guarantee of the correctness of the picture as he has founded his writing on public documents and drawn his information from the statistical reports in the official press of the Soviet Government. It is therefore to be hoped that the present publication will serve its purpose and contribute towards the understanding of the development in Russia.

Harald Westergaard.

June 11, 1922.

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PART I

GENERAL EFFECT OF THE WORLD WAR ON THE ECONOMIC LIFE OF RUSSIA PRIOR TO THE BOLSHEVIK REVOLUTION

PART I

Introduction

At the time of this writing two and a half years have elapsed since the signing of the Brest-Litovsk Peace, which plunged Russia into an abyss of moral desolation and helped to bring about her political dismemberment. It is now possible to judge somewhat, from the mass of statistics and other materials, of the tragic results of the great war in Russia and to form an idea of its general effect upon the economic life of the country.

It is well known that Russia entered the war quite unprepared. Her unpreparedness differed greatly from that of the other allied countries, however, owing to the fact that the Russian people, in consequence of their low degree of political development, had remained on a primitive plane in matters of technique and organization. Compared with this general backwardness, the weakness of the Russian economic system was of only secondary importance.

In spite of the grave warnings which the régime of the Tsar might have taken from the Russo-Japanese War and from the following revolution of 1905, the interior government of the country remained practically unchanged. The constitution came to nothing; and of the new liberties proclaimed in the manifesto of Nicholas II shortly after the revolution, there remained only a dim shadow. The reaction, after expelling the first Duma, celebrated its complete triumph. The outbreak of war with Germany consequently found conditions in Russia little better than they were ten years before. Public opinion was suppressed, and the popular will was but little heeded. The part played by the Duma was utterly insignificant, since its work was remorselessly undone by the Imperial Council, whose power was wholly vested in a group of *chinovniki* (officials) and other persons nominated by the Tsar and forming the majority of the body.

Nevertheless, the Tsar and his ministers had plenty of opportunity to save the situation. The challenge of Germany provoked an unheard-of explosion of patriotic enthusiasm all over the country, even in circles obviously opposed to the Government. If in the nick of time the general demand for reforms had been met in a democratic spirit, it is safe to say that Russian political life might have taken another course, and that the events which brought the country to Bolshevism and its disastrous consequences might have been avoided. At first Nicholas II, who had not forgotten the revolution of 1905, was greatly alarmed; but later on he yielded completely to the influence of the camarilla that had seized control of Russia.

Gradually the various political groups were forced to abandon their efforts to bring about reforms. Even the extreme conservatives, who addressed modest petitions to the Tsar and his ministers urging that the liberal groups be permitted to take part in organizing the struggle against the powerful, obstinate, and dangerous enemy, received no attention. The Imperial Government consistently opposed even the least extension of autonomy to the district assemblies (*zemstvos*), seemingly blind to the fact that in this way it was weakening its own position by increasing discontent and spreading it even among the more loyal elements of the population.

It was a great misfortune to the country that the Government set itself in opposition to the efforts toward initiative and independence on the part of various commercial and industrial groups which offered their help on several critical occasions. In all other countries, both friendly and hostile, such offers were accepted with gratitude; only in Russia were they received with mistrust by the ruling powers, who saw in them nothing but an attempt to overthrow the Government. Before the war Russian industry and commerce had been unable to attain to an effective organization because of the attitude of the Government; and when the war came even such organizing power as they possessed was spurned by the Government.

It is easy to imagine the inevitable effect of such a policy on the economic life of the country, and the results soon proved

tragic indeed. Shortly after the commencement of hostilities, and especially after Turkey's open declaration of war, Russia found herself entirely separated from her allies. After the war with Japan and the revolution of 1905 she had been able to right herself to such an extent that her industry, in spite of a defective economic policy, showed a certain improvement. But she was still far from being in a position to accomplish the prodigious task of providing for an enormous army and an enormous civil population at the same time. The closing of the Baltic and the Black Seas left her no trading communications with the rest of the world except by way of the Arctic Ocean, which is open to navigation for only a very short season, or by way of the long and inconvenient Siberian railway. This fact was clear to the western governments, which were ready to do their utmost to encourage and assist Russian industries in their endeavours to consolidate and organize their efforts. But the Tsar and his ministers, instead of promoting such endeavours, consistently opposed them. The German invasion of the prosperous industrial regions, such as Russian Poland and the Baltic provinces, together with the necessity of dismantling the factories under the control of government officials, often without any rational plan, completed the disruption of Russian industry.

The result was that this enormous country, one of the most important opponents of Germany, with a population of more than 150,000,000 and abundant resources for economic independence, could not sustain the burden of the war. It is true that the revolution anticipated the military defeat; but this revolution was merely the first sign of the political and economic collapse which was to be followed by the seizure of power by the Bolsheviks and the signing of the humiliating peace of Brest-Litovsk.

Financial Effects

At the time when Germany declared war the financial condition of Russia was very satisfactory. In June 1914 the paper money in circulation throughout the country amounted

to 1,633,000,000 rubles, but the gold reserve in the State Bank amounted to 1,744,000,000 rubles, i. e. a gold covering of 106·8 per cent. In the matter of gold reserves Russia was surpassed by Great Britain alone, where on June 2, 1912, the volume of bank-notes in circulation amounted to £277,300,000 and the gold reserve to £378,000,000, the latter thus exceeding the former by 36·6 per cent. In France the gold reserve was 67·7 per cent. of the note circulation, and in Germany still less, namely, 61·8 per cent.

Of the great powers allied against Germany, nevertheless, Russia was the only one from the first days of the war to find herself in financial difficulties, due to her economic backwardness. For that reason, moreover, she always remained financially weak and was forced again and again to have recourse to foreign loans. Another reason for her financial weakness lay in the fact that the triumph of the reaction after the revolution of 1905 had kept in force the old fundamental law of February 26, 1890, whereby the control of all actual war expenditures was vested in the Imperial Council. Under this law all these expenditures were to be paid out of a special war fund, and the Duma could discuss only that part of the military budget which pertained to such expenditures in time of peace.

At the beginning of the war the Duma contended vigorously for the principle that the representatives of the people should have a voice in the preparation of the budget; but with the *war in progress it was unable to press its demands effectively*, and was accordingly compelled to give its tacit consent even in cases in which, if it had possesssed the power to act, it would undoubtedly have overruled, in the interest of the country, the decisions of the financial administration.

At the very beginning of the war the imperial finances were suddenly subjected to a great loss in consequence of a general measure which was looked upon by the whole world as one of the greatest acts of social reform, namely, the prohibition of the manufacture and consumption of alcoholic beverages. Exception was made only for such quantities of alcohol as were required for technical, industrial, and medical purposes. For

the imperial finances this measure was of great significance, since before the war, as is well known, the traffic in spirits had been conducted under a government monopoly. By a systematic increase in the price of spirits, moreover, the proceeds from this monopoly had been raised to such a point that they yielded nearly 20 per cent. of the total public revenues. The war began on July 18, 1914 (O.S.), and the deficit according to the budget of that year amounted to 673,600,000 rubles, of which 432,000,000 represented the loss resulting from prohibition. In 1915 the revenue was estimated by the Minister of Finance at 2,429,500,000 rubles, a decline of 1,142,500,000 rubles in comparison with 1914, including the loss of 791,800,000 rubles resulting from prohibition.

To make up the deficit in the revenues for 1915, the Duma insisted upon the necessity of working out a plan for increasing the return from the existing sources of revenue, as well as for creating new sources; but the Minister of Finance rejected its project including a progressive income tax, long desired by the progressive and left groups, and favoured a general increase of all existing taxes and the establishment of a new tax on goods transported by rail. The effect of such a tax would naturally be precisely the reverse of that of a progressive income tax. It not only imposed an unfair burden upon the great mass of the consumers, but also occasioned grave inconveniences from the very beginning for the reason that it subjected the same goods to a succession of levies as they were carried from one place to another.

The Minister of Finance confined his attention chiefly to indirect taxes, some of which were increased enormously. Thus the tax on petrol was raised from 60 to 90 kopeks per *pood*; on malt (for the manufacture of beer) from 1·70 to 3 rubles per *pood*; on spirits manufactured from fruit and grapes from 7 to 14 kopeks per *vedro*; and on tobacco and sugar from 1·75 to 3·50 rubles per *pood*. The established taxes on cigarette papers, matches, and yeast were also increased. The tariff on railway tickets and luggage, as well as on goods transported by fast or slow freight, was increased by 25 per cent.,

and the rate on cotton carried by rail was increased by 2·50 rubles per *pood*. The insurance rates were raised 50 per cent., and the postal, telegraph and telephone rates were also raised. Several direct taxes, such as the land tax, the town properties tax, the trade tax, and the rent tax were considerably increased, as were also the customs duties. According to the estimates of the Minister of Finance, these increased rates should have made it possible to balance the budget without, or almost without, a deficit.

But the expectations of the Minister of Finance were not realized, and to escape from a difficult position he resorted to a common ledger trick. He simply transferred part of the army and navy expenses, amounting to 503,000,000 rubles, to the above-mentioned war fund, which during the period of the hostilities conducted under the Imperial Government was maintained by means of domestic and foreign loans. The Duma protested vigorously against such management of the national finances and strongly urged a radical change in the system of taxation to the ends that the burdens might be more equitably distributed and that more adequate revenues might be raised. It also voted an income tax, along with the other revenue measures, but this project failed of final adoption in consequence of the dilatoriness of the Imperial Council, which found sufficient grounds on which to delay the measure until the premature prorogation of the Duma.

*The budget bill for the year 1916 was presented after con*siderable delay and under the official protest of the opposition party. This time the Minister of Finance was forced to admit a deficit, having been proved wrong in his forecasts of the results of the increased taxes levied in the preceding year. For 1916 he had estimated a deficit of 328,000,000 rubles, but nobody had any faith in the accuracy of his judgement. He further admitted the necessity of elaborating a detailed financial plan, and he afterwards laid one before the Duma. The new plan, however, proved to be, not a systematic scheme of taxation, but merely a heterogeneous mass of new assessments. Of the new taxes we need only mention that on textiles, which

was calculated to produce 120,000,000 rubles; that on electricity, an extra tax on tea and an increase in the tax on public amusements, etc. Together with a new income tax, the project was calculated to yield an additional 860,000,000 rubles. Besides, a special war tax was proposed which was expected to produce 190,000,000 rubles.

But again the results were disappointing. In spite of the raising of the old taxes and the establishment of new ones, it was quite impossible to restore the balance shaken by the war, although the Minister of Finance, as well as the Duma and Imperial Council, made every effort to cut down expenditures. The Minister therefore proposed a new method of balancing the budget by anticipating the revenues of the following year; and the fact that he was very late in laying the proposal before the Duma made its adoption somewhat more practicable.

There was one favourable factor which supported the optimism of the Minister. The abolition of the traffic in spirits, although it had some unfortunate effects, such as secret distillation, poisoning by ammonia, the use of eau-de Cologne, etc., nevertheless augmented the energy of the people and stimulated economy and saving. The increased deposits in the savings and other banks furnished proof of the efficacy of this influence, and the Minister of Finance was therefore justified in assuming the possibility of increasing the indirect taxes. The following table gives an outline of the estimated revenues of the years 1915, 1916, and 1917:

	Budget of 1915. (*According to the report of the the Audit Commissioner.*)	*Budget of 1916.* (*Voted by the Duma and Council.*)	*Budget of 1917.* (*The bill came to nothing.*)
	Rubles.	*Rubles.*	*Rubles.*
Direct taxes	359,700,000	359,700,000	566,000,000
Indirect taxes	697,400,000	813,700,000	1,099,100,000
Customs duties	413,900,000	443,600,000	442,200,000
Royalties	208,300,000	251,700,000	279,500,000
Government properties and capital	978,600,000	1,030,800,000	1,445,500,000
Other revenues	169,500,000	131,000,000	166,100,000
	2,827,400,000	3,030,500,000	3,998,400,000

The revolution, which at the end of February 1917 (O.S.), caused the downfall of the Imperial Government, prevented the realization of the budget for the year 1917. As regards the budget for the year 1916, we have no conclusive information as to how far the Minister was right in his calculations, the revolution having swept away all the old landmarks. The central power was completely wiped out. Many of its local representatives disappeared along with the higher officials, moreover, and those who remained, having acknowledged the new power, were deprived of their former authority. Shingareff, the first Minister of Finance of the revolutionary Government (afterwards mercilessly murdered by Bolshevik sailors), met with insurmountable difficulties from the outset. It is quite clear, from his declarations to the press, to political meetings, and to the ministerial councils, that the taxpayers had stopped paying their taxes altogether.

Supported by public opinion and the press, Shingareff prepared an extensive reform of the fiscal system in conformity with the new spirit of the times. Indirect taxes were to be eliminated or reduced to a minimum, and the government revenues were to be maintained by direct taxation, chiefly by income taxes, monopolies, and income from state properties. Further, an elaborate system of extraordinary taxes on capital and income, especially on war profits, was proposed, with an estimated maximum rate of 90 per cent. But the spread of *the revolution and the emergence of the question of nationalities* leading to separatistic movements, especially after the breakdown of the military power and the second revolution, which resulted in the usurpation of the Bolsheviks—all this produced a complete chaos in the public finances. Revenues disappeared almost entirely, and the issue of paper money became the only resource for covering the enormous requirements of the State. The Bolsheviks, who had completely destroyed the complicated fiscal apparatus, had no alternative to the printing of paper money, with which they quickly flooded the whole country; and this paper money, together with the numerous substitutes for it issued by the local authorities which had declared their

autonomy, soon annihilated the normal value of the ruble. Without going into details we may point out that the first Commissioner of Finance, Goukovski, made up his first budget of expenditures for the first half of 1918 to a total of more than 24,000,000,000 rubles, although several items were not included in his estimates. Furthermore, it is to be noted that this budget did not take into account the Ukraine and other territories then occupied by the Germans. For the covering of these expenditures Goukovski estimated no more than 3,500,000,000 rubles of revenue. In spite of all efforts, moreover, neither he nor his successors were able to draw up a satisfactory budget or to create even the outline of a workable system of taxation. On the contrary, the situation became more and more distressing and hopeless, and the chaos was steadily increased in consequence of the military operations from which Soviet Russia was unable to escape.

Credit Operations

Since the Imperial Government from the beginning of the war encountered innumerable obstacles in making up the budget, it had great difficulty in finding means to defray the expenses created by the war. The sums required were colossal. At the session of the Duma on January 28, 1915, the Audit Commissioner stated that the daily expenses of Russia were from 13,000,000 to 14,000,000 rubles. But as early as July 19 of the same year, Bark, the Minister of Finance, declared that the daily expenditures for the year could not be estimated at less than 19,000,000 rubles; and at the end of the year they amounted to 20,000,000–24,000,000 rubles. The Copenhagen Society for the Investigation of the Social Consequences of the War has estimated the war expenses of Russia at £730,000,000 for the first year and at £1,350,000,000 for the second year—an increase of nearly 100 per cent. Moreover, these expenditures were constantly increasing.

To meet these outlays the Government had to resort to three means: the issue of paper money, long-term domestic and foreign loans, and short-term Treasury bonds. The first

issue of paper money was justified first by the fact that the war necessitated a large circulation of currency, and second by the fact that Russia had abundant gold reserves. As soon as the war began, the redemption of notes in gold immediately stopped, and it was therefore quite natural that the Government should resolve to increase the right of issue of the State Bank. By an act of July 27, 1914 (O.S.), accordingly, the limit was extended to 1,200,000,000 rubles. This resource was quite exhausted in a few months, however, and on March 17, 1915, during a recess of the legislative chambers, the Council of Ministers voted a new issue of 1,000,000,000 rubles. On August 18, 1915, this issue was sanctioned by the Duma, which on the same occasion voted an additional issue of 1,000,000,000 rubles. Thus the note circulation was increased in one year by nearly 3,000,000,000 rubles. It is worth noting, however, that this threefold increase would not have threatened the financial position of Russia, if no other unfavourable circumstances had supervened. At that time Russian exchange was not much below par abroad. The whole world had full confidence in the military power of Russia; and notwithstanding the fact that the general economic situation of the country left much to be desired, great expectations were founded on the fact that Russian industry appeared firm in spite of the unhappy economic policy of the Government.

In consequence of the great increase in circulating notes, the gold covering declined from 106·8 per cent. on June 16, 1914, to 47·1 per cent. on June 16, 1915. Still it was far greater than that of France, where it amounted to only 32·4 per cent. on June 11, 1915, or than that of Germany, where it amounted to 38·1 per cent. on June 10, 1915. After 1915, however, there was a tremendous issue of paper money, so that by December 16, 1916, nearly 9,000,000,000 rubles were outstanding. As the gold reserve had at the same time diminished, due to the fact that the Government had been obliged to make large shipments of gold to France and England to guarantee its financial operations, the economic condition of the country was materially weakened. Moreover, interior political unrest gave warning of an approaching catastrophe, and the Government was

sufficiently alive to the danger to make preparations for the suppression of revolutionary outbreaks. We may note that in its financial policy in the matter of the new issues of paper money, which always took place without the sanction and over the protest of the Duma, the Government found itself in conflict with public opinion. It is true that Bark, the Minister of Finance, in the middle of 1916 tried to check the depreciation of the currency by a series of measures designed to control the issue of notes; but his efforts had little or no effect.

The revolution brought the catastrophe to a head. The workshops and factories either ceased their operations altogether or continued them sporadically under great difficulties created by endless strikes, conflicts, etc. This was a great embarrassment not only to private industry, but also to the Government, which was forced to make considerable material concessions to the numerous workmen and officials connected with the railways and other state institutions. A few months after the February revolution the financial situation became so deplorable that, according to the declaration of Shingareff, the then Acting Minister, it was impossible to overcome the want of money 'even with the help of the printing press' (i.e., by issuing new notes). He declared that the Government printing office was able to turn out only 30,000,000 rubles in bank-notes a day, while the daily requirements of the country amounted to 75,000,000 rubles.

On July 1, 1917, the nominal value of the paper money in circulation was reckoned at about 13,000,000,000 rubles, so that the gold covering amounted to only 13·6 per cent. After July the situation grew rapidly worse, and the difficulty was aggravated by the revolution of that month in Petrograd, when the Bolsheviks made their first unsuccessful attempt to seize the power. In despair the Provisional Government abandoned its cherished project of reversing the imperial system of a budget based on indirect taxes, or at the most of making only a modest use of such taxes, and proposed a whole series of monopolies affecting the most necessary articles of consumption. In spite of these plans, which were the result of panic rather than the

fruit of a real financial policy, the revolutionary Government was forced to improve the note-issuing machinery to such an extent that in September 1917, i. e. only one month before the usurpation of the Bolsheviks, it was possible to make a new issue of 1,900,000,000 rubles.

The Bolsheviks, who were in great need of money in consequence of their having suppressed private business in almost all its branches, were under still greater compulsion to make use of this means of raising revenue. The direct result of this excessive production of paper money was a rapid lowering of the value of the ruble in the world market. Still, at the beginning of 1917 the rate of exchange was quoted in England at £10 for 165 rubles. After the first Bolshevik revolution, on July 3–5, it declined to 229 rubles, in the middle of August to 250 rubles, and at the end of August to 302 rubles. In the days of Korniloff the rate was £10 for 375 rubles. Thus the ruble had declined to 25 per cent. of its normal value. Further, after the fall of the Kerensky Government, the ruble continued to decline with the same rapidity, and only on rare occasions, under the influence of political events in Russia, did it show a tendency to rise, shortly afterwards to fall again very quickly.

Interior and Foreign Loans

The colossal character of the military operations brought forward the question of loans very soon after the outbreak of the war. It must be observed that the Imperial Government, although it had foreseen the World War for a long time, had no arrangements whatever for procuring financial assistance in the form of foreign loans. It might have been imagined that England, on entering into the Franco-Russian coalition, would have adopted from the outset arrangements governing this matter. But the fact is that the negotiations were slow, and in each case had to be postponed and renewed. Further, Russia was forced to give large concessions in the way of gold covering abroad, and this covering, which amounted to 140,736,000 rubles on July 16, 1914, had risen to 311,477,000 rubles on October 23, 1917. After the end of the war Germany,

on the demand of the Allies, was forced to surrender the gold she had exacted from the Bolsheviks in conformity with the terms of the Brest-Litovsk Peace.

Like the extension of the right of issue, the loan operations were carried through, practically without reference to the Duma and Imperial Council, in conformity with imperial ukases. Thus by virtue of ukases issued on July 23, October 6 and 26, 1914, and on February 6, March 27 and June 18, 1915, the following loans were issued: Interior loans: (1914) 5 per cent. at the rate of 94, to the amount of 500,000,000 rubles; (1915) 5 per cent. at the same rate and to the same amount; 5½ per cent. at the rate of 99 to the amount of 1,000,000,000 rubles. Total—2,000,000,000 rubles. Foreign loans: in England, 964,700,000 rubles; in France, 234,400,000 rubles; in America and England, 200,000,000 rubles. Total—1,399,100,000 rubles. The total amount raised by loan operations during the first year of the war was 3,400,000,000 rubles. To this must be added four short-term loans in the form of treasury bond issues. In this period 4 per cent. Treasury bonds were issued to the sum of 600,000,000 rubles, and 5 per cent. Treasury bonds to the sum of 2,900,000,000 rubles, making a total of 3,500,000,000 rubles, or 100,000,000 rubles more than the sum-total of the domestic and foreign loans. This, together with new issues of paper money in the same period, is sufficient indication of the magnitude of the expenses incurred by Russia during the first year of the war.

As the hostilities continued it became increasingly difficult to negotiate foreign loans; but thanks to the increase in the volume of paper money, on the other hand, it became easier to place domestic loans. Especially through the issue of Treasury bonds the Government began to resort to a more intensive exploitation of the interior money market. By a ukase of August 26, 1915, Treasury bonds to the amount of 4,000,000,000 rubles were authorized; by another of December 30, 1915, 2,000,000,000 rubles; by another of June 1, 1916, 3,000,000,000 rubles and by another of October 11, 1916, 3.000,000,000 rubles, The total authorized amount was 12,000,000,000 rubles, but

the Government succeeded in realizing on only half of this sum before July 1, 1916.

The general growth of Russia's debt is shown by the following table:

	Rubles.
January 1, 1914	8,824,500,000
„ 1, 1915	10,488,500,500
„ 1, 1916	18,876,700,000
„ 1, 1917	33,580,800,000
July 1, 1917	43,906,000,000

From the beginning of July 1917 the Provisional Government, almost destitute of assets in the form of real sources of revenue, satisfied its enormous and growing requirements exclusively by means of loans and new issues of paper money. The Liberty Loan, for which the highest expectations were cherished, resulted in a complete disappointment. All efforts to popularize this loan, in the extended promotion of which all the ministers and other political and public personages, as well as literary and scientific men, actors, delegations from the front, etc., took part, failed to carry the subscription beyond 4,000,000,000 rubles. This insignificant result was due to the increasing influence of the Bolsheviks, who at this time had succeeded in effecting a complete dissolution of the military forces at the front.

That a total of only four billions represented no high degree of patriotism and devotion to the new order of things is evident from the fact that at this time there were upwards of 20,000,000,000 paper rubles in circulation, not to mention the huge sums of earlier bond issues in private hands, which were acceptable as pledges for subscriptions to the new loan. At that time there was no possibility of placing a foreign loan, for Russia had practically ceased to form part of the alliance. Accordingly, it is not strange that in the last pre-Bolshevik balance, dated October 23, 1917, of the total requirement of 24,200,000,000 rubles, 15,500,000,000 are placed under the item Treasury bonds, which the State Bank estimated would be needed to cover the national requirements.

To form a correct idea of Russia's financial situation as it

gradually developed from the beginning of the war, it will be necessary to give a short sketch of the evolution of the private money market. The outbreak of the war in Russia, as in other countries, caused considerable depression in banking and financial operations. Later on, however, with the development of the war industries, the activity of the private banks became vigorous, especially in the early part of 1917. The banking development caused an enormous accumulation of capital in private hands, the bulk of which may be attributed not only to the greatly increased profits, which were quite natural under the conditions favourable to many branches of industry and commerce, but also to the extraordinary increase in the note circulation. On January 1, 1917, there were in operation forty-four private commercial banks with numerous branches, the condition of which on that day is shown by the following table :*

ASSETS.

	1915. Rubles.	1916. Rubles.	1917. Rubles.
Cash and current accounts	327,000,000	377,000,000	521,000,000
Securities	468,000,000	658,000,000	884,000,000
Discounts	1,511,000,000	1,823,000,000	2,991,000,000
Loans	1,488,000,000	1,718,000,000	2,500,000,000
Correspondents 'loro'	1,274,000,000	1,847,000,000	3,002,000,000
Correspondents 'nostro'	228,000,000	349,000,000	485,000,000
Protested bills	14,400,000	12,000,000	3,800,000
Other assets	757,000,000	1,196,000,000	2,662,000,000
Total	6,067,400,000	7,980,000,000	13,048,800,000

LIABILITIES.

	1915. Rubles.	1916. Rubles.	1917. Rubles.
Capital	818,000,000	842,000,000	993,000,000
Deposits	2,774,000,000	3,834,000,000	6,747,000,000
Rediscounts, &c.	328,000,000	386,000,000	276,000,000
Correspondents 'loro'	1,037,000,000	1,473,000,000	1,951,000,000
Correspondents 'nostro'	344,000,000	339,000,000	394,000,000
Accrued interest and commissions	159,000,000	177,000,000	258,000,000
Other liabilities	607,000,000	929,000,000	2,427,000,000
Total	6,067,000,000	7,980,000,000	13,048,000,000

It will be observed how striking the increase of deposits in the private banks was at that time. This increase continued for

several months, moreover, up to the time of the Bolshevik revolt in July. The operations of the banks had assumed such magnitude that they underwrote a considerable part of the first Liberty Loan of the revolutionary Government—in fact, two of the four billions called for. Further, they underwrote the entire railway loan of 750,000,000 rubles, which was so successful that the subscribers received only 30 per cent. of their subscriptions.

The Bolshevik revolution of July was the first serious shock to the economic and financial structure of the country. It was followed by others, as, for instance, the dissolution of the military forces at the front, the surrender of Riga and the Korniloff affair, which provoked an acute schism among the political groups and thereby facilitated the Bolshevik work of demolition. But in the spring of 1917, immediately after the fall of the Tsar, a spirit of optimism prevailed in industrial circles that had suffered under the fallen régime. New enterprises were launched and old enterprises considerably increased their capital and issued new shares. Capital to the amount of 3,500,000,000 rubles was floated. It must not be forgotten, however, that the depreciation of the ruble and the financial measures of the allied governments played an important part in this feverish development of industrial activity.

The October revolution promptly resulted in financial chaos, the very first proclamation issued by the Bolsheviks having disclosed their true intentions. For some time it was hoped in financial, commercial and industrial circles that they would not hold their position long. Accordingly, the banks decided to continue their operations, in so far as they were permitted to do so by the new power, so long as the Bolsheviks did not proceed to execute their threats of nationalization and so long as such nationalization as they did undertake was carried through with a certain visible anxiety. Any hesitation on the part of the Bolsheviks was to be explained, not by fear of a financial crisis, but by the fact that peace had not been established. But after they had made peace with Germany and her allies, the [illegible]holder and immediately expropriated

all the private banks together with their capital and other valuables, including both the property of the banks themselves and that of their private customers.

The decree on the nationalization of the banks was published on December 14, 1917. We must repeat, however, that the nationalization, notwithstanding this decree, was carried through gradually. We may further note that, at the moment when the State Bank fell into the power of the Bolsheviks, its gold reserve on hand amounted to 1,292,000,000 rubles, besides what it held abroad. The note circulation amounted to 18,917,000,000 rubles. Another act of the Bolsheviks which had a decisive effect on the financial situation was the cancellation of all foreign and interior loans, which at once demolished all the normal financial foundations and put an end to all commercial and financial dealings with foreign countries. Thus the Bolsheviks rapidly isolated Russia from the whole outside world.

Industry

In Russia the outbreak of the war gave rise in industrial circles to a panic of the same kind as prevailed in other countries. Everywhere a world-wide economic collapse was regarded as inevitable, and the supposition was that it would occur in a matter of only a few months. But the actual course of events was different, industry having showed itself much more stable than had been assumed in the calculations of learned economists, as well as of farsighted and experienced men of affairs. For Russia, however, the situation was rendered difficult by the fact that she found herself isolated from the rest of the world. The means of communication still open to her were not of a nature calculated to permit the maintenance of active and extensive trade with foreign countries, and she was consequently thrown on her own resources for satisfying her war requirements.

But it soon appeared that the condition of Russian industry was not nearly as hopeless as it appeared during the first days. With a few exceptions, Russian manufacturers were engaged in

supplying the home market. The war dealt a disastrous blow to the forest industries, which depended chiefly on export. The petroleum industry, which was partly dependent on export, quickly recovered, as soon as it became apparent that oil could be used as fuel, instead of coal, in several branches of industry. In Russia this substitution was nothing new. Even before the war, when the price of coal had risen to excessive levels, some very successful experiments in the use of oil had been carried through, with the result that some branches of industry had finally introduced it. The stoppage of the export of sugar proved to be a gain rather than a loss, since the production of sugar very soon began to diminish visibly, especially after the German and Austrian invasion of the territory of the sugar industry in Poland and Podolia. The stoppage of exports was strongly felt in agriculture, for the exportation of corn, fodder, and other agricultural products had played a very important rôle in Russia's foreign trade. The supplying of an army of several million men required great quantities of agricultural products, however, while at the same time the prohibited manufacture of *vodka* had led to a considerable increase in the consumption of bread among the civil inhabitants. On the whole, accordingly, the stoppage of the exports of agricultural products was an advantage to the nation.

As regards the import trade, the scarcity of many commodities ordinarily procured from abroad soon began to be keenly felt. While it was still possible to import goods at great trouble and expense via Finland, Archangel, and the Far East, such goods were intended almost exclusively for the direct or indirect use of the army. The greatest hardship was caused by the stoppage of the imports of coal. Before the war, in spite of the increasing production of coal in the Don district, the general growth of industry had so far outrun the production that the demand for imported coal had been continually increasing. In 1912 the coal imported into Russia from England, Germany, and Austria-Hungary amounted to 20 per cent. of the national consumption; and in 1913 this percentage had increased to 25·5 per cent. Besides, it is to be remembered

that the Dombrovski coal basin in former Russian Poland had played an important part in the supplying of central Russia. In 1913 this supply, which was cut off by the German invasion at the beginning of the war, had amounted to 7·3 per cent. of the national consumption. As noted above, however, oil was extensively used in place of coal.

The shortage of coal was soon aggravated by the shortsightedness of the government authorities in mobilizing a considerable number of the skilled miners, against which the mine-owners and industrial organizations protested in vain; and when the falling-off in production became alarmingly apparent, it was too late to correct the mistake. Early in 1915, that is, more than six months after the beginning of the hostilities, an Imperial ukase was issued conferring upon the Minister of Commerce and Industry the dictatorial power to supply with coal all the railways and enterprises working for the national defence, and the resulting requisitions and mandatory orders called forth many protests from the mine-owners. One measure resorted to—and one which evoked much criticism on social and hygienic grounds—was that of importing of Chinese and Korean coolies. These unfortunate pariahs brought many evils with them in the form of infectious diseases, and they were of course unable to replace the mobilized Russian labourers. But what is especially significant is the fact that they were constantly subjected to propaganda carried on by the Bolsheviks, with the result that they all went over to the communists; and even now they are playing a very important part in the quelling of insurrections against the Soviet Government.

The stoppage of the imports of dye-stuffs and chemical products, with which Russia had been supplied by Germany in time of peace, was keenly felt. These products were chiefly of the nature of indispensable materials for further manufacture, and manufacturing had now become of more consequence for the country because of the stoppage of imported manufactures.

The cutting off of the cotton imports was at first not felt so keenly, although before the war Russia had drawn half her cotton supplies from abroad, chiefly from the United States.

In 1910–11 the production of Russian cotton amounted to 13,926,000 *poods*, while the imports from abroad amounted to 11,945,000 *poods*; in 1911–12 the figures were 13,420,000 *poods* for Russian cotton and 12,293,000 *poods* for foreign cotton; in 1912–13, 13,101,000 *poods* Russian and 10,840,000 *poods* foreign. These figures show that for the three years before the war Russian cotton production remained almost stationary—which makes it seem all the more remarkable that after the war the home production increased very considerably. Through the extension of the cotton area in central Asia, Russia succeeded in filling the gap occasioned by the stoppage of imports from the United States. Unfortunately, however, the Russian cotton industry had suffered a severe blow in consequence of the German occupation of the Polish industrial regions, which greatly reduced the total manufactured output and caused a considerable rise in prices. In 1915 cotton goods were 50 per cent. dearer than in 1914, and later on this percentage rose still higher.

The war exerted an immediate effect on the metallurgical industries. In particular, there was a marked falling off in the demand for metal and hardware, the number of orders in the first year of the war having fallen about 40 per cent. short of the number in the preceding year. The south Russian iron trade did not suffer so severely. As compared with 190,400,000 *poods* of pig iron produced in *1913–14*, some *172,100,000 poods* were produced in 1914–15—a decline in this region of only a little more than 10 per cent.

Not to enter into further details, we may point out that at the beginning of the war there were many indications that Russian industry, which was very young and weak and had only just begun to gather strength, was destined to fall back again to a place of secondary importance. Accordingly, a movement was *inaugurated among commercial, industrial, and* political leaders who were alive to the progress of historical events towards the elaboration of measures designed to protect the interest of Russian industry. Its success was seen to be inseparably bound up with the political independence of the

country, and it was obvious that real political independence could be secured only through the overthrow of German imperialism. This conviction led to an understanding between the industrial interests and the district and town assemblies, whose function from the beginning of the war had consisted in aiding the central and local administrations to organize the country for its struggle with the obstinate and powerful enemy. The 'organization of the rear' was the rallying cry at the beginning of the war, and it evoked a patriotic enthusiasm unprecedented in Russian history. Concerted efforts were made to check the forces of economic disintegration, especially in industry, but they came to nothing for the reason that the mobilization was carried on quite without any systematic plan. Frequently skilled workmen and officials, as well as responsible directors of important enterprises, were conscripted and sent to the front.

The need of vigorous measures became all the more apparent because as early as October 1, 1914, an investigation of all European Russia (excluding Poland), conducted by the Minister of Commerce and Industry, showed that of 7,921 large establishments with 1,466,810 workmen, there were 1,221 with 554,050 workmen which had diminished their production and 504 with 46,589 workmen which had closed down altogether. Only 125 establishments had increased their production, and in those 125 the number of workmen had increased from 88,380 to 150,438. These figures show that Russian industry, while it had suffered in the first part of the war, had not suffered so severely as, for example, German industry, which depended chiefly on exportation. Nevertheless, it was plain that a further decrease in Russian production would result in an irreparable disaster, and the movement for the formation of organizations to maintain and promote industrial activity therefore made considerable headway in spite of the active and passive opposition of the Government, which regarded every social movement with suspicion.

This movement assumed a more positive form some months later, moreover, when it became clearly evident that the

Russian Government was unequal to the enormous task of carrying on the war with Germany. At the end of May and the beginning of June 1915 the movement took the form of a demand for a general mobilization of industry. There was nothing original in this scheme, since it had already been adopted by the Allied countries, as well as by Germany. The Germans, indeed, were the first to apply their plan, worked out in peace-time, for mobilizing all the economic resources of the country. The proponents of the mobilization of Russian industry were especially encouraged by the example of the British, who, having entered the Allied coalition without an army and without equipment for one, had nevertheless succeeded, thanks to the co-operation of their political and industrial forces, in building up a powerful war machine. By April all Russia was already covered by a veritable network of committees and sub-committees appointed to investigate the various enterprises indispensable to the maintenance of the army as well as of the civil population, i. e. enterprises having to do with provisioning, distributing, etc. Finally, the project of the industrial mobilization triumphed in the Eleventh Congress of the Representatives of Industry and Commerce, which adopted a resolution proposed by the well-known Moscow merchant, P. Riaboushinsky, calling upon all Russian enterprises to join hands in the work of meeting the war requirements of the nation.

The first practical step was the formation of a Central War Industries Committee in Petrograd. The task of this committee was twofold: to unite and direct the activity of the local committees formed immediately after the Central Committee; and to co-ordinate their activity with that of the government institutions. Invitations to participate in its work were sent, not only to representatives of commercial and industrial organizations, but also to eminent scholars and specialists, as well as to representatives of the railways and of the All-Russian unions of district and town assemblies. There were thirteen departments in the Central Committee: the mechanical, metallurgical, chemical, transport, food, personnel,

equipment, fuel, finances, medico-sanitary, juridical, aviation, and inventions. Each department also had different divisions for the various specialities.

We have not the space to discuss the activity of the committee and its departments in detail, but we may say that from the very start it showed great activity and excited emulation in the numerous provincial branches in the various parts of Russia. Thus branches were organized in Archangel, Baku, Brest-Litovsk, Tsaritsyn, Helsingfors, Ekaterinoslaff, Ekaterinburg, Yelizavetgrad, Kazan, Kieff, Kishineff, Kostroma, Krasnoyarsk, Kokand, Kharkoff, Kharbin, Minsk, Nishni-Novgorod, Novorossisk, Odessa, Orenburg, Pskoff, Reval, Riga, Rostoff-on-the-Don, Ryazan, Samara, Saratoff, Tver, Tiflis, Warsaw, etc. Independently, moreover, in towns not having local committees, special organizations were formed to assist the Central Committee.

The feverish energy displayed by the large manufacturers also inspired the small manufacturers, who likewise associated and organized themselves for the common good. Finally, the *zemstvos* also, through their central organization, the All-Russian Zemstvo Union, created a number of institutions which admitted as members co-operatives, who had gained great influence during the war, representatives of home industries, owners of small works, agronomists, scientists, and instructors in technical institutions, who had proved themselves exceedingly valuable in equipping the army and assisting in the defence. The Government did, indeed, recognize the necessity and importance of all this work, yet from time to time it persecuted the organizations engaged in it. These persecutions lessened, however, as the value of this collective effort became more and more apparent. Complete unity was of course out of the question even at that time, when Russian patriotism was at its highest point.

An important result of this organization for the provision of the military requirements of the nation was the granting of substantial government subsidies to a whole series of factories, both large and small, which were working for the national

defence. Besides, a number of other factories, which in time of peace had worked for other purposes, by request of their owners and by recommendation of the War Industries Committee, secured financial assistance from the Government in order that they might re-equip themselves for the emergency requirements of war. This co-operation of the Government and private organizations greatly alleviated the hardships resulting from the German invasion. Many enterprises were saved by a timely removal from the zone of hostilities; and although there were many mistakes and official abuses, the work of removing them to the interior of the country resulted in a considerable positive gain. These results are set forth in the review of the economic situation published by the *Torgovo-Promyshlennaia Gazeta*, the organ of the Ministry of Finance, in its issue of January 4, 1917:

'The advance payment of large sums on war orders has contributed to the enlargement and improvement of many old plants. Evacuation loans and subsidies have made it possible for many enterprises, removed from the seat of war, to re-establish themselves in places farther away from the borders of the country. Whereas in 1915 one could discern only dim indications and outlines of new industrial districts in the Empire at places near the sources of raw materials, in the past year we have seen not only dim silhouettes, but distinct industrial centres with a vast increase of production, as in the provinces of Nishni-Novgorod, Ribinsk, Samara and elsewhere.'

Thus the association of the War Industries Committees and other organizations with the Government led to important positive results. The granting of government loans and subsidies was not unaccompanied by serious abuses, but this was nowise peculiar to Russia. The war had a demoralizing influence on all the belligerents, as well as on the neutrals, but in Russia the public control exercised by these war committees and similar organizations had some effect in limiting the consequences of this demoralization. It cannot be denied that the policy of extending financial aid to industrial enterprises,

necessitated by the magnitude of the war and the economic isolation of the country, produced advantageous results. Enterprises which had suffered under an acute crisis were thereby enabled to continue and extend their operations, and a great many new enterprises were started, chiefly in the chemical industry, which were of vital importance for the prosecution of the war.

The industrial expansion was accompanied by a rise in the price of industrial securities unprecedented in Russian financial history. Although the Petrograd stock exchange was closed at the beginning of the war, and although the Government, in spite of all representations and protests emanating from financial and commercial circles, absolutely refused to permit its reopening, the mercantile world managed to carry on an informal trade in stocks through private transactions—a form of business which became firmly established toward the end. The temper of the financial and industrial circles is shown by the following table giving the quotations of a few of the better-known Russian securities:

	End of 1915. *Rubles.*	*1916.* *Rubles.*
Kolomna	162	300
Maltzeff	245	279
Putiloff	86	144
Sormoff	165	284
Lena gold	525	595
Azov-Don Bank	475	715
Russo-Asiatic Bank	200	406
United Bank	175	400
Baku	640	1,000
Russian naphtha	165	244
Briansk	144	264
Bogoslovsk	180	376

Unfortunately, during the sudden expansion of industry a great shortage of working lathes, machines, and fittings was felt, a shortage that could not be made good because Russia was wholly unprepared to turn out such articles. At the outbreak of the war the Government and industrial circles directed their attention toward securing machines and working lathes for Russian enterprises, but their purpose was defeated

by the gradual decline of imports, which in the course of time were limited to the most necessary articles, such as war materials. As we have indicated, however, this did not check the prosperity of numerous industrial branches, which before the war had suffered from the competition of imported wares.

While it is impossible to include in this sketch an account of all the Russian industries, it is necessary for us to note the peculiar conditions under which some of them operated, in order that we may gain a concrete conception of the general state of economic life in Russia. The co-operative activity of the public and the Government was strongly felt in particular branches of production, as in metallurgy and coal mining. We can easily understand why these branches received special consideration when we take into account their importance in time of war. Of course, not everything was satisfactory in the metal industry; indeed, during the great industrial expansion in the second half of 1916 and at the beginning of 1917 there was a serious shortage of sheet and hoop iron, nails, horseshoes, etc. Nevertheless, there was much positive work which deserves notice, as shown by the increased metallurgical production.

As noted above, the number of workmen in the different industrial enterprises was visibly diminished by the mobilization. This diminution caused a falling off in production, and recourse was therefore had to the importation of manual labourers. At the end of 1916 the number of Chinese and Korean labourers employed in the Don and Ural coal regions was estimated at between 300,000 and 400,000. These foreigners were far from able to replace the mobilized Russian skilled workmen, of course, but in the absence of other workers they were unquestionably of great service to Russia at the critical moment.

According to the statistics published in 1917 by the central iron department, the condition of the metallurgical establishments in South Russia (where about 80 per cent. of that industry is concentrated) was as follows: for the first nine months of 1916 the production of pig-iron was 130,603,000 *poods*, as

compared with 126,098,000 *poods* in the same period of 1915. There were 53 blast-furnaces in operation in the Don district in November 1916, as compared with 45 in the same month in 1915. The production of semi-manufactured wrought-iron and steel products was 120,975,000 *poods* in the first nine months of 1916, as compared with 112,133,000 *poods* in the same period of 1915. Of wrought-iron and steel, 98,003,000 *poods* were produced in the first nine months of 1916, as compared with 93,558,000 *poods* in the same period of 1915. It is also interesting to note that 130,770 workmen were employed in these enterprises at the end of 1916, as compared with 101,672 in the same period of 1915. Thus the increase in the number of workmen employed was 28·4 per cent., while the increase in production was only slight. This is evidence of the inferior quality of Chinese and Korean manual labour.

A still greater effort was made by the combined forces of the Government and the voluntary organizations to overcome the tremendous decrease of coal production. After the commencement of the hostilities the production of coal declined very rapidly. In the first half of 1914 it amounted to 1,245,300,000 *poods*, whereas in the second half of 1914 (covering five and a half months of the war) it amounted to only 931,200,000, i. e. a reduction of more than 314,000,000 *poods*. The Don coal district, instead of 896,800,000 *poods*, yielded only 787,000,000, i. e. a reduction of nearly 110,000,000 *poods*. But conditions improved considerably in 1915, when the shortage, as compared with 1914, amounted to only between 55,000,000 and 60,000,000 *poods*. In the following year, however, the Coal Committee succeeded in bringing about a noticeable increase in the production. The number of workmen was increased, and the Minister of Commerce and Industry yielded to the public demand for an improvement in the condition of the miners through a timely and plentiful supply of food. The result was that in the first ten months of 1916 the production of bituminous and anthracite coal increased to about 1,392,000,000 *poods* in the Don district, i. e. 69,000,000 *poods* more than for the same period of 1915. This improvement was due not only to the activity of the War

Industry Committees, but also to the influence of the press, which carried on an energetic propaganda, as well as to the determined action of the Duma. The production of coke also increased in the same period by 15,000,000 *poods*.

Under social and political pressure the Government also undertook to encourage the mine operators by granting them advance payments on government orders, so that they might procure machinery for replacing manual labour and thereby diminishing the number of workmen required, etc. Moreover, these advances were accompanied by a considerable increase in prices, so that the position of the mine operators was considerably improved.

Conditions were not so good with respect to the petroleum industry. In 1916 the production of petroleum fell to 36,468,000 *poods*, as compared with 50,000,000 or more in peace time. The falling-off was not keenly felt at once, because there was an abundant reserve supply and the export was stopped. Furthermore, many enterprises hastened to return to the use of coal as fuel. But in the course of time the scarcity of naphtha and kerosene began to be felt more and more keenly, until finally there occurred a crisis of serious consequences for the population. It must be borne in mind that not even in the chief Russian cities do all the inhabitants use electric light. Kerosene is the usual means of illumination in Russia, and in many towns, even the larger ones, the lighting of the streets, not to mention the houses, is dependent upon it. Unfortunately, the transport conditions were such that nothing could be done to remedy the situation.

While some branches of industry were gravely embarrassed, the general condition of industry in 1917 remained very satisfactory. Not only was production stimulated by war requirements, but there was a rapid increase in the rural and provincial demand for industrial products. We have already observed that the prohibition on the manufacture of *vodka*, although it had diminished the public revenues, had a beneficial influence on the peasantry. Contraband distilling and the use of substitutes were not unknown, but they did not have the evil conse-

quences that might have been anticipated. Altogether, therefore, prohibition proved to be one of the most salutary of the acts of Nicholas II. The masses, especially in the villages, became temperate, and there was a noticeable improvement in the general physical health of the population. A sense of thrift appeared, and this led to an increased demand for various kinds of merchandise—a demand which developed with the increased prices of agricultural products. At the moment of the fall of the Tsar certain branches of industry, such as metallurgy, the manufacture of sugar, the manufacture of boots and shoes, had reached their maximum development.

The first days of the revolution did not shake the optimism prevalent in commercial and industrial circles; on the contrary, they rather confirmed it. It was believed that the old obstacles to the development of the creative forces of the country were now broken down, and that Russian industry would no longer be handicapped by the numerous prohibitions and restrictions unknown to the highly developed industries of western Europe and America. At the same time, moreover, it was thought that with the fall of Tsarism it would be possible to deal promptly with the corrupt officials and police authorities. Meanwhile, however, the defective state of transport and the shortage of goods were visibly exerting their influence, and the reform measures taken by the Government had produced no substantial results. The dictatorial policy of Roukhloff, Minister of Commerce and Industry, merely evoked strong protests on the part of the subordinate railway officials, while the abuses charged against the higher railway officials went unpunished.

The hopes of the industrial leaders for an improvement after the revolution were disappointed. They had counted on an increase in labour efficiency when the working people came to realize that victory over Germany would strengthen the revolutionary movement. For nothing was clearer than the fundamental antagonism of imperial Germany to the revolution. But although the Bolshevik usurpation did not immediately follow the revolution, the disorganization of the rear, as well as of the front, had already begun. The workiug classes proved

more and more exigent every day. Industrial enterprises gradually reduced their output. Operations were repeatedly interrupted by meetings and demonstrations. The administrative directors and technical managers rapidly lost their authority. The workmen and clerks demanded, and almost always successfully, the dismissal of one or another official; and if their demand was not granted, they took the matter into their own hands and carried the unpopular official away on a wheel-barrow. The demand for nationalization and, in many cases, for workers' control of the enterprises became more and more insistent.

All this very soon changed the aspect of Russian industry completely. Besides, there were two other factors of enormous significance; namely, the rapid disorganization of transport, and the increasing scarcity of solid and liquid fuel. Moreover, 'sabotage' on the part of the railway workers and officials also exerted an important influence. The part played by the railway officials in destroying the basis of national prosperity was soon revealed. From the very beginning of the revolution the railway personnel was the centre of extreme radical agitation, to which it proved itself most susceptible. The industrial enterprises found themselves in a most difficult situation; on the one hand, the working day was shortened and wages considerably increased; on the other hand, the transportation of fuel and raw materials was reduced to a minimum. This resulted in a rapid rise in prices. Regulative measures, such as the prosecution of speculators and the fixing of prices on the principal articles of consumption, had an effect quite the opposite of what was intended.

The decreased production of fuel applied not only to coal and petroleum, but also to wood. In the Ural district about 60 per cent. of the industrial enterprises use wood as fuel. The peasants, having appropriated the land, which they looked upon as their own property, prohibited the cutting down of the trees and the carting off of the timber for industrial purposes or even for the heating of homes. It is easy to imagine the result. Petrograd and Moscow, for example, received only half the supply of fuel they required.

In consequence of the shortage of fuel and raw materials the industrial enterprises were soon forced to reduce their output. It is to be observed that the cotton industry received a blow from another side at the same time. The extension of the cotton area had been checked by the fact that many cotton growers found it more profitable to produce grain, the price of which was rapidly rising. Since the importation of foreign cotton had entirely ceased, the mills in the Moscow, Vladimir, and Ivanovo-Voznesensk districts were compelled to close down entirely.

Every day the economic disintegration of the country became more and more evident. The replacement of the first Revolutionary Government by a new one, in which the socialists exerted great influence, did not tend to satisfy the labourers and peasants, whose demands became more and more exacting as the economic life became more and more disordered. Much was hoped from the introduction of the eight-hour day; even the labour leaders expressed a firm belief that it would at once increase production considerably. But the outcome was utter disappointment. The owners of enterprises were not slow to retaliate, some by 'sabotage', some by closing their establishments, some by raising prices. Skobeleff, the Minister of Labour, tried in vain to restore industrial harmony, but at best he succeeded merely in effecting a compromise, which, however, had but a slight influence on the general course of events. Production in general diminished by from 30 to 40 per cent.

The result was a rapid rise in the cost of articles of prime necessity. The price of sole leather, for instance, rose to 1,000 rubles per *pood*, having been 30 rubles per *pood* before the war. The prices of wool, timber, etc., increased in proportion. The textile factories encountered huge difficulties in consequence of the exhaustion of the wool supply, the soap factories sought in vain for fats, and the flour mills were closed rapidly, one after another, because of the establishment of a government monopoly on grain. One of the first measures adopted by the new Government to improve the financial situation and check speculation had merely resulted in the hoarding of grain, not

only by the dealers, but also by the peasants, who insisted on free prices.

As a result of this crisis in production, in which the replacement of piece work by day's work played no unimportant a part, a number of enterprises were threatened with ruin. There were some in which the combined wages of the factory and office personnel exceeded the gross value of their output. The situation was rendered still more acute by the revolution of October 1917, as a result of which the workmen's committees secured complete control over industrial enterprises. Production fell still more. Soon there followed a new phase, namely, the nationalization of all the large enterprises and, later on, the nationalization of whole branches of industry. Let us consider a few statistics which give an idea of the resulting situation.

Of 64 blast-furnaces operating in the Don district in the first half of 1917, only 20 were operating at the end of February 1918; and even these were not working to full capacity. In the Moscow district the production of pig-iron in 1917 fell to 14 per cent. of what it was in 1916. The coal production of the Don district in 1917 was 229,000,000 *poods* less than that of 1916; and this loss falls chiefly in the last months of the year, when the Bolsheviks were in control of the situation. Thus the first months of the Bolshevik rule reveal a tremendous slump in production which stands in sharp contrast to their solemn declaration to the effect that they had come to restore Russian economic life.

On the basis of information procured from Bolshevik sources, we find that the production of petroleum fell from 363,100,000 *poods* in 1916 to 329,400,000 *poods* in 1917. The year 1918 began under still more unfavourable auspices; according to German statistics, the production during the first half of that year amounted to only 110,000,000 *poods*. As the Bolsheviks held possession of Baku from the very first, it is obvious that the responsibility for this decline rests solely with them. According to their own reports, indeed, the production of petroleum fell greatly in the Baku district, where the petroleum works were closed one after another.

No less distressing was the status of the copper industry. Soon after the arrival of the Bolsheviks the copper works of the Caucasus closed down entirely, and in the nationalized copper works in the Ural Mountains the production at the beginning of the Bolshevik rule fell to 40 per cent. of the normal. From statistics published by the Bolsheviks, it appears that sugar production in Great Russia fell to 30 per cent. of the normal. The condition of the textile industry was also bad; in the central district it was necessary to close nearly all the textile mills for want of raw materials. The general situation became more hopeless, when almost all the Don district, according to the Brest-Litovsk treaty, fell to the Ukraine.

The leaders of the Bolsheviks had been forced to the disheartening conclusion that even the workmen who called themselves Bolsheviks did not understand that nationalized enterprises are 'not private, but public property'. Lenine, Trotsky, Zinovieff, and other commissioners more than once protested against the demands of workmen for increased wages and shorter working hours. At the time of the Brest-Litovsk Peace, although the Soviet Government had not yet succeeded in carrying out its political and economic programme, it was already clear that Bolshevik Russia was sinking deeper and deeper into the abyss.

The Agrarian Question

The agrarian question is worthy of special attention because agriculture, in spite of the primitive methods employed by the masses of the peasantry, has played a dominant part in the economic life of Russia. The question has now assumed a very different aspect for the reason that the peasants, through the revolution, have gained possession of the private and public estates. The fact is, however, that neither the first Revolutionary Government nor those which followed, even that of the Bolsheviks, succeeded in solving the agrarian problem according to their plans. The first Revolutionary Government, in which the constitutional-democratic group, represented by Miliukoff and Shingareff, exerted a predominant influence, intended to distribute only the Government estates and the so-called 'cabinet

estates' (i.e. those belonging to the Tsar) among the peasants without compensation. As to private holdings, the policy of the first Revolutionary Government showed considerable latitude; in general, it was proposed that they were to be limited to 500 acres, with exceptions only in the case of 'model estates'. Finally, there was no consensus of opinion as to whether compensation should be granted and, if so, to what extent.

The Kerensky Government summarily dismissed all question of compensation. The minister whose portfolio included the Department of Agriculture openly defended the programme 'all land for the peasants'. According to this programme, the estates were to be divided up and apportioned without compensation to the owners. There was no doubt that Tshernoff, one of the leaders of the social-revolutionaries and a well-known authority on the Russian agrarian question, would insist on this manner of solving the problem, which for a score of years had vexed all classes of the Russian people. But from the very beginning of the revolution the problem was complicated by the fact that the peasants were unwilling to wait for action by the Constitutional Assembly and hastened to realize their own wishes by taking possession of the large public and private properties.

Tshernoff had intended to utilize the time up to the meeting of the Constitutional Assembly in making ready for the distribution of the estates among the peasants, and for this purpose agrarian committees were organized all over Russia. The task of these committees was to consist of collecting statistics in the several regions relative to the size of the estates belonging to private owners, their stocks, etc., and of procuring detailed information as to the number of peasants without land, or with small allotments, who were to receive parcels of land or have their allotments increased. But only in a few districts did the committees succeed in organizing the peasants and securing their co-operation. In by far the greater part of the country the committees were never of any significance, because the peasants hastened to seize the estates of their own accord,

sometimes by violent means—in some cases even by murdering the proprietors and their tenants and looting their properties.

In this distribution of spoils the peasants did not observe the requirements of fairness. They did not even take into consideration the number of hands available for tilling the larger allotments, and there was absolutely no idea of an equitable division of the plundered estates and their stocks. In most cases each peasant grabbed for himself as much land as he wanted or could get, and the result was that many of them failed to secure even the least alleviation of their misery. For the most part the distribution failed to do away with the well-known defect of Russian agriculture, namely, the division of peasant allotments into narrow and widely separated strips. On the contrary, this evil became more serious after the seizure of the estates, and many peasants had to content themselves with strips of land far away from their homes. Consequently many bloody conflicts occurred, not only between peasants from the neighbouring villages, but also among the inhabitants of one and the same village.

The Bolshevik Revolution could not and did not remedy the situation created by the appropriation of land by the peasants. For a long time the Bolsheviks tried to realize communistic rule in the villages, but everywhere they met with unanimous opposition. Lenine's project of bringing about a civil war in the villages by inciting the 'village poor' against the '*fists*' (exploiters and the rich) was frustrated. Many criminals assumed the name of 'village poor' and created terror among the peaceful working peasants. Denunciations of the '*fists*' resulted in nothing but moral dissolution in the villages. Lenine felt the failure of his plans and experiments all the more keenly when he had to face the fact that the peasants refused to supply the towns voluntarily with agricultural products. The sending out of detachments of soldiers to punish peasants who refused to deliver up their grain for paper money merely increased the resentment against the Soviet Government, and the cruelties perpetrated by the food detachments gave rise to

a series of insurrections in which large numbers of peasants were killed. Still, the victory was on their side, and the Soviet Government was compelled to acknowledge their right to maintain possession of the lands seized by them after the fall of Nicholas II. Further, the Government renounced the project of bringing about civil war in the villages. As a token of peace between the Bolshevik power and the peasantry, moreover, the All-Russian Central Council of Workmen's, Soldiers' and Peasants' Deputies, which was the supreme legislative body, chose for its president a workman by the name of Kalinin, who was of peasant origin.

Unfortunately, we have no reliable information as to the extent to which the estates were divided among the peasants. All that we can state with certainty is that within the borders of Soviet Russia all the large private estates have fallen into the hands of the peasants. As to the government and imperial estates ('cabinet estates'), they cannot have been wholly distributed, as is sufficiently indicated by the widely advertised fact that the Soviet Government is conducting experiments in communistic agriculture on certain large estates formerly belonging to the Imperial Government. Here the soil is cultivated in common, and no member of the community may own, or claim to own, any land whatsoever. The Bolsheviks, it is to be remarked, defend such enterprises also on the ground that it is necessary to create large 'model estates' supported by the public, in order to make practical application of the latest technical improvements.

Much light may be thrown on the agrarian question in Russia by an examination of the relative efficiency of management on the peasants' allotments and on the former private estates. In an inquiry conducted in 1916 data were collected for the different systems of husbandry in forty-nine provinces, in which there were reported 15,645,508 peasant holdings and 110,157 private estates. The peasants planted 64,022,333 acres and the large owners 7,687,361 acres. The number of peasants holding small allotments at that time was estimated at 7,000,000, and the number of peasants without land at 2,000,000. The distri-

bution of allotments from the large estates among these categories would give only one acre per capita.

The statistics of production for the two systems of husbandry are not less significant. In 1916 the average harvest of rye on the peasants' fields amounted to 56 *poods* per acre, while on fields belonging to large owners it was 72 *poods* per acre. On the peasants' fields the wheat yield was 37 *poods*, and on those of the large owners it was 67 *poods*. Thus the average harvest of the large owners was 50 per cent. greater than that of the peasants. This result shows that seizure by the peasants of the estates belonging to private owners, the Government, and the imperial family did not contribute to the improvement of Russia's economic position, but, on the contrary, merely aggravated the economic disorganization resulting from the war and the revolution. It does not necessarily follow that in other circumstances the transfer of the estates to the hands of the peasants would have unfavourable results.

The food problem became more and more serious as the hostilities continued. That this condition did not create alarm from the very first is to be explained by the fact that the export season had just begun when the war broke out, and the central markets therefore had a large supply of grain in store. The stoppage of the exports was undoubtedly advantageous to the civil population and the army. The mobilization rendered the gathering of the harvest difficult, especially in regions near the front; but thanks to the stoppage of the exports, Russia was on the whole sufficiently supplied with grain for the first year of the war.

But in the second year serious difficulties in provisioning began to arise, and during this period Russia was hard pressed. The Germans and Austrians advanced steadily, and in order to hold them back it became necessary to order a new mobilization. This reduced the reserves of farm workers in the villages, and in the following harvest season the newspapers reported a considerable decrease in the area sown. *Zemstvo* organizations and voluntary associations created to facilitate the prosecution of the war tried their best to relieve the shortage of hands by

forming special labour units composed of students, peasants (especially peasant women), boys and even children, but this was not enough to make up for the loss of experienced workers and landowners who were vitally interested in securing the best results from sowing and harvesting.

The Food Scarcity and the Measures Adopted to Overcome It

The beginning of the war found Russia on the eve of the harvest of 1914. This harvest yielded 3,657,000,000 *poods* of cereals; but fell considerably below that of 1913, which yielded 4,594,000,000 *poods*—a decline of nearly 25 per cent. The yield of rye decreased from 1,490,000,000 to 1,364,000,000 *poods*; of wheat, from 1,392,000,000 to 1,023,000,000 *poods*. After the stoppage of the exports the deficit in the harvest would scarcely have been noticed, if the enormous requirements of the army had not greatly increased the national consumption. Besides, the diversion of the equipment of the railways to the transportation of troops, munitions and other war materials exerted a prejudicial influence on the food supply of the towns.

Very soon after the commencement of the war, accordingly, a scarcity began to be felt, first in Moscow and Petrograd, and afterwards also in other large towns; and this scarcity became more and more serious with the increase in transport difficulties, with the rise in wages and with the development of other conditions that produced similar effects in other countries, both belligerent and neutral. First of all rye and meat rose in price. Next came butter, notwithstanding the fact that before the war butter had been exported in large quantities, so that one might have supposed that its price would have fallen rather than risen. As in all other countries, the rise of food-prices in Russia was accompanied by a corresponding rise affecting all other goods. This general rise appeared more promptly in Russia than elsewhere, however, because of the stoppage of the imports of articles which in normal times had been brought chiefly if not entirely from abroad, such as machines and fittings

required by industrial establishments engaged in the production of various necessaries.

Unfortunately, the Imperial Government merely made matters worse by measures which it took to ward off scarcity. It must be remembered that the Austro-German advance resulted in mass migrations from the invaded regions. Not only villages and towns, but even whole districts, were evacuated, and during the evacuation the government officials through their stupid orders caused so much confusion as seriously to compromise the food supply in places where the fugitives were assembled on the way to their destination, and even at the very points of destination. The fugitives were seemingly distributed without any system whatsoever, with the result that many tragedies occurred, as, for instance, when a mother was sent to one place and her children to another.

One of the measures which aggravated the situation was an order issued by the supreme central power giving the local administrative authorities complete discretion in the adoption of measures designed to relieve the food scarcity. But the establishment of fixed prices on articles of food was especially recommended, and the result was a great confusion of discrepant and frequently contradictory measures which called forth sharp and well-justified criticism wherever they were applied. All Russia seemed to be broken up in independent districts, in which each governor, or each governor-general, was left free to carry out his own food policy. It happened not infrequently that, as soon as a price was fixed on an article in one place, that article disappeared from the market because the dealers and producers preferred to send it to other places, or else to conceal it in the hope that the fixed price would be raised or that fixed prices would be abolished altogether.

The enforcement of a general policy of price-fixing proposed by Rittikh, the then Minister of Agriculture, and one of the least popular statesmen in office—a man possessed of a strong will and of an open contempt for public opinion—was not practicable for the reason that the Government itself constantly violated its own rules. The authorized agents of the Ministry

of War bought up supplies for the army at prices much higher than those officially fixed. This unfair competition had serious consequences for the civil population, because the army was growing larger every day and its consumption of food articles increasing proportionately. During the campaign of 1914–15, for instance, the army demand for grain was 230,000,000 *poods*; in 1915–16, about 500,000,000 *poods*; and in 1916–17, 700,000,000 *poods*. If one takes into account the fact that about one-half of this quantity was bought, not directly from the producers, but in the open market, one can easily imagine to what extent the interests of the civil population must have suffered. At the same time, moreover, it must be borne in mind that the amount of land placed under cultivation was steadily decreasing because of the drawing away of many of the most efficient food producers, first the landowners themselves, and second the most vigorous and experienced labourers. A no less unfavourable influence on agriculture was exerted by the repeated mobilizations of horses. Lastly, the gravest consequences were occasioned by the stoppage of the imports of agricultural implements and machines. The Government and private organizations adopted extraordinary measures to stimulate the production of these articles in Russia, but these measures were effective for only a short time. The production of agricultural machinery and implements fell off as soon as industry in general fell victim to the political and economic maladies discussed above.

The actual condition of the food situation may be best illustrated by reference to one industry for which we have adequate statistical data, namely, the sugar industry, the importance of which in Russia is well known. Although it was one of the best-organized branches of Russian industry, nevertheless the influence of the war upon it was soon manifest. The area planted to sugar-beets decreased for two reasons: first, because of the enemy's invasion of the districts devoted to the sugar industry; second, because of the want of skilled hands. The sugar stocks held by all the mills on December 1, 1916 (including stocks held over from the preceding season) amounted to 41,954,999 *poods* of raw sugar and 17,210,681 *poods* of refined

sugar, while the corresponding figures for 1915 were 71,059,514 *poods* of raw and 20,927,463 *poods* of refined. Thus the sugar production diminished by almost 33,000,000 *poods* in the course of the year. As compared with 1914, the decrease amounted to 46,358,271 *poods*. In view of the importance of sugar as an article of food and of the gradual disappearance of other such articles from the market, it is not difficult to understand how severe a blow this was to the country. The Government decided to resort to heroic measures to supply the demand for sugar, and an imperial ukase of October 10, 1916, authorized the importation of 20,000,000 *poods*. But this measure alleviated the general scarcity only in the minutest degree. As early as the beginning of 1917 it was very difficult to get such products as meat, butter, sugar, eggs, etc., even at prices tremendously inflated by speculation. The introduction of the card system with fixed rations in so badly organized a country as Russia served only to increase the general confusion and to strengthen the position of the speculators.

The immediate cause of the overthrow of the Imperial Government was famine. Hungry women were the advance-guard of the revolutionary army, which was completed by the workmen and soldiers who followed close behind. But the victory of the revolution improved the situation only momentarily, that is, during the initial enthusiasm of a people who had overthrown a three-hundred-year-old political institution founded on absolute domination of the popular masses. The so-called ‘ deepening of revolution ’, which was accompanied by a rapid undermining of all the old economic and political foundations, merely aggravated the food difficulties. The new régime had not yet won authority or any real power, which at such historic moments always falls into the hands of the masses themselves or else into the hands of groups which understand clearly and express categorically the sentiments and wishes of the masses.

As soon as the people felt that the century-old chains of oppression had been snapped, the process of dissolution continued without abatement. Neither the government of Prince

Lvoff nor that of Kerensky, nor yet that of the Bolsheviks, could prevent the decline of production or overcome the scarcity of food, which had at last become unbelievably acute. Draconian measures employed to compel the peasants to deliver their products failed to work. As long as the reserve stocks held out in the large cities and towns, the inhabitants, especially the prosperous classes, could exist with the help of the speculators, who lined their own pockets without regard to the severe penalties prescribed. But these reserve stocks were soon exhausted, and the Soviet Government thereupon introduced its notorious system of rationing according to classes. The consumers were placed in four categories: (1) workmen engaged in hard manual labour and 'red soldiers'; (2) workmen engaged in light forms of manual labour; (3) employees of government institutions and private enterprises, and members of free professions; and (4) capitalists, landlords in general, 'parasites'. The bread rations gradually became smaller and smaller, and at the most acute moments of the food crisis in Petrograd and Moscow they were reduced to one-quarter pound for persons in the first category. At such moments the persons in the fourth category were denied rationed food altogether.

At such critical periods the Bolsheviks vacillated and made considerable concessions in sharp contradiction to their programme. Among other things, for example, they were forced to tolerate the so-called 'bagman' institution, whereby every workman, red soldier, and peasant was given the right to carry a bag of grain from the village to the town. This served to legitimize a petty form of speculation. But the speculators did not stop, of course, with the trifling quantities which they were permitted to buy by the authorities. Suddenly all passenger trains became crowded with 'bagmen', who travelled back and forth and carried on a lively trade under the pretext of providing for their own needs. This led to new confusion, and the efforts of the Bolsheviks to reduce the 'bagman' institution to some kind of system were entirely without success. Thereupon they prohibited it and waged unmerciful war on it, even going so far as to shoot the bagmen down. But even so they were unable

to suppress it, and at one time they were even obliged to permit free trade in all kinds of articles of food.

To exhibit in detail the difficulties of provisioning and the consequent sufferings of the unfortunate population, we might be expected to submit tables showing the prices of food current at that time. This, however, would serve no important purpose in the present inquiry. It may be worth noting, however, that the prices of that time (just before the signing of the Brest-Litovsk Peace) would appear very moderate in comparison with present prices. Before the signing of the peace the Soviet Government gave assurance that as soon as the war was over it would be able to organize the provisioning of the population. But after peace was signed, all its assurances proved delusory.

The Disorganization of Transport

The famine in Russia, like the general economic decay, was due in large part to the disorganization of transport, which began in the first months of the war. Even in time of peace the condition of the Russian railways and river communications had been far from satisfactory, and Russia was far behind the other European countries in respect to the development of transport facilities. Whole groups of provinces, famous for their natural wealth, were entirely without railway communications and hardly accessible to the industrial and commercial centres. For many years, accordingly, public opinion and the press had demanded the development of the railway system, no matter at what sacrifice on the part of the Government.

The war put Russia to the test and promptly disclosed her weakness in the organization of transport for military purposes. During the first days of the war irremediable defects were disclosed in the railways, as well as in the interior waterways. The rolling stock was utterly inadequate, and the available locomotives and cars, especially the former, quickly became the worse for wear. At the time of the outbreak of the revolution the condition of railway transport was almost hopeless, and afterwards it grew worse and worse. Thus, in April–October 1915 the number of cars loaded daily in the rear was

25,000; during the same period of 1917 it was about 19,500; in October 1917, when the Bolshevik revolt occurred, it had fallen to 16,627; in November, to 14,224. This was a fall of 45 per cent. in relation to the corresponding period of 1916. Further, in October 1916 there were 3,336 'laid up' engines; in October 1917 there were 5,551. During the first eight days 224 engines were condemned as useless. This was the beginning of the complete breakdown of the Russian railway system, which the Bolsheviks, in spite of extreme efforts, could not check or even retard. The repairing of 'laid up' engines completely stopped due to the want of the necessary fittings and materials and the impossibility of procuring them from abroad. Finally, the average delivery of new engines fell from 15–16 to 5–6 a month.

The same decay overwhelmed the freight yards and car shops, which had never been noted for their adequacy. The revolutionists aggravated this condition by a systematic destruction of railway stations, where many cars were wantonly burned. Besides, the mob stole the metal parts of the cars, rendering them useless, and it was impossible to repair them on account of the complete lack of extra fittings. The demobilization following the Bolshevik revolt, when the retreat from the front assumed the character of the complete disbanding of an army, considerably contributed to the disorganization of railway transport. The soldiers often seized whole trains, expelled the passengers, and stole or destroyed everything which they could lay their hands on. From the first and second class cars they even stripped the velvet and plush from the seats. The soldiers and the mob did not even spare the special food-trains, but stopped them on their way and subjected them to ruthless pillage.

Transport by water fared no better. The interior mercantile fleet, never very large, soon became much the worse for wear. In part it needed thorough repairs, in part complete renovation. But the shipbuilding industry, which even in time of peace had been weak, suffered during the war from the stoppage of the imports of necessary materials and fittings. During the revo-

lution the soldiers and the mob remorselessly plundered and demolished whole ships, burning, breaking, and stealing everything. This wanton destruction of the interior fleet reflected all the tragedy of the disorganization of the economic life and energy of this immense country, in which the whole world had reposed such glowing hopes before the war.

The Rôle of the Co-operative Movement during the War

The only ray of light to be discerned in the black chaos of Russian economic life during the war and the revolution was the activity manifested by various co-operative organizations. Before the war Russia had passed through a rapid economic evolution. One of the most striking features of this evolution was the tendency shown by a large part of the Russian peasants to unite in their efforts in order to adapt themselves to new economic order and to build up a more productive organization. This tendency assumed the form of a co-operative movement. Before the revolution of 1905 the Russian co-operative movement was very primitive, general economic conditions having been unfavourable to co-operation. The year 1915 marks a turning-point in the history of the movement, which from then on underwent rapid development. Russia was soon covered with a veritable network of co-operative organizations. In 1905 they numbered 3,500; in 1910, 13,419; in 1912, 18,083 (serving the interests of 5,760,000 families); and in 1914, 31,050. The war and the revolution caused a remarkable development of the movement, and ever-increasing numbers of the Russian people were drawn into the co-operative net. In 1915, accordingly, there were 35,659 co-operative organizations; in 1916, 43,737; in 1917, 47,287. In August 1917, at the co-operative convention in Moscow, 50,000 societies were represented. On January 1, 1918, there were 54,400 co-operative organizations in Russia.

The Russian co-operative movement was divided into three main branches, corresponding to three chief functions—credit, purchase, and sale. Thus there were credit societies, consumers'

societies, and agricultural societies. Before the war the foremost place was occupied by the credit societies, the development of which is shown by the following figures: in 1914 they numbered 12,985; in 1915, 14,586; in 1916, 15,431; in 1917, 16,055; in 1918, 16,500. The number of members (households) on January 1, 1918, totalled 10,478,000. The enormous growth of the credit societies was due to the fact that the Government granted them extensive subsidies to enable them to work on a large scale. On June 1, 1916, these subsidies amounted to 341,940,000 rubles, and on January 1, 1917, to 397,000,000 rubles. We may form an idea of the influence exerted by the co-operative credit societies from the figures showing the business transacted by them. On January 1, 1918, the balance sheet of all the societies showed a sum total of 983,700,000 rubles. Moreover, it must be borne in mind that, besides the regular credit associations in Russia, there were also other kindred organizations (zemstvo banks, professional banks, etc.). The chief work of the credit societies consisted in providing cheap credit for the population, chiefly for the peasants, and this function had assumed first place before the war. Meanwhile, however, the work of buying products for the organized consumers' societies had rapidly increased in importance. This form of activity acquired especial importance after the beginning of the war, which essentially changed the nature and scope of the activity of the credit societies. In consequence of the prohibition of the sale of *vodka*, government support of soldiers' families, the enormous increase of prices of agricultural products, etc., the peasantry succeeded in accumulating huge sums, the total of which at the end of the war, according to some authorities, amounted to 40,000,000,000 rubles. Naturally this greatly reduced the demand for credit on the part of the peasantry. At the same time, in consequence of the war, the difficulties of provisioning increased for the army as well as for civil population, and the bureaucratic apparatus was unable to cope with them. The Government was therefore forced to call upon the great co-operative organizations for help and to make use of their machinery both for

buying and for rationing. The credit societies were also drawn into this work, and they began to undertake on a large scale the provision of grain for the army and the civil population. Thus, during the year 1917 more than half of the grain sold on the market was sold by the credit societies of the southern provinces. Accurate statistics of the corn operations of the credit societies do not exist, but it is known that the figures run into hundreds of millions of rubles. Moreover, the delivery of beef and farm products was likewise conducted through the credit societies, which during the war became vast organizations for buying and selling and worked hand in hand with the Government.

Before the war the consumers' societies were on a very low level in Russia. On January 1, 1914, they numbered 10,080, whereof 80 per cent. were to be found in villages and 20 per cent. in the cities. The war quite altered the picture. The difficulty of supplying the villages with goods and food steadily increased and private trade was unable to adapt itself to the new conditions. This led large masses of the population to join the consumers' societies, which consequently grew so rapidly that their number more than doubled in the course of a few years. Especially large was the number of consumers' societies in the large towns, where the difficulty of providing food was keenly felt. The following figures show the growth of the consumers' society movement. On January 1, 1915, there were 12,000 societies; on January 1, 1916, 18,000; on January 1, 1917, 20,000; on January 1, 1918, 25,000. On January 21, 1918, the number of members (households) was estimated at between eight and nine millions. In 1918 the consumers' societies constituted 46 per cent. of all the Russian co-operative organizations; the credit societies, 30 per cent.; and the agricultural societies, 21 per cent. In 1917 the aggregate turnover of the consumers' societies amounted to about 5,000,000,000 rubles. The principal function of the Russian consumers' societies was to procure necessaries directly from the producer; but they also produced goods in their own establishments and distributed them.

A third branch of the Russian co-operative movement is represented by the agricultural societies, which came into existence through the formation by the peasants of associations for the collective sale of their own produce. Even before the war, on January 1, 1914, there were in Russia 3,278 agricultural societies and 4,707 creamery associations. The war produced a further increase. Their number on January 1, 1915, was 9,073; in 1916, 10,201; in 1917, 11,232; and on January 1, 1918, 11,400. Among the agricultural societies a very important part was played by the creamery associations, of which there were about 3,000 in 1918. About half of the sale of Russian butter is in the hands of the creamery associations in Sibéria, in Yaroslaff, Vologda, and other provinces. During the war innumerable societies were formed for the sale of flax, hemp, eggs, potato flour, timber, tar, fish products, vegetables, fruit, household articles, etc. From the very beginning these societies pursued a double aim: co-operative sale with all possible avoidance of middlemen; and improvement of agriculture and industry. In their industrial activity the co-operative agricultural societies had become more and more important. This industrial activity is one of the peculiar features of the Russian co-operative movement, and has become especially marked in the course of the last three years, during which private industry, under the influence of the revolution and the Bolsheviks' policy of nationalization, has been almost completely destroyed. These conditions have forced the co-operative societies to erect industrial plants of their own, or else to lease private establishments, in order to provide, at least in part, the supplies required by their members. The inquiry conducted by the Moscow *Centrosoyuz* begun in 1916, and embracing 469 co-operative industrial enterprises, gives at least some idea of the character and the direction of the co-operative movement in Russian industry.. Among the 469 enterprises referred to there were 84 flour mills, 58 soap factories, 28 tanneries, 28 boot factories, and 18 bakeries. In addition to these, 329 enterprises were engaged in working up the raw materials of agriculture (excluding saw-mills and shops for making agricultural implements).

To complete the picture of the Russian co-operative movement it is necessary to call attention to the tendency toward the consolidation and unification of its forces. This tendency was felt even before the war, when it was steadfastly opposed by the Government. This opposition practically ceased with the war, however, since the Government needed the help of the co-operative societies, and was therefore forced to abandon its policy of discouraging their consolidation. The Revolutionary Government finally removed all obstacles to their unity and passed a law giving them full latitude for developing their strength and co-ordinating their activities. The central organ of the Russian consumers' movement is the All-Russian Union of Consumers' Societies (abbreviation : *Centrosoyus*), having its central administration in Moscow. On January 1, 1917, the *Centrosoyus* comprised 20 associations, each with more than 10,000 members, and also 307 consumers' societies with about 10,000,000 members. The turnover of the *Centrosoyus* increases every year. In 1915 it amounted to 22,800,000 rubles ; in 1917, to 145,600,000 ; and in 1918 it exceeded 1,000,000,000. The work of the *Centrosoyus* is carried on along two lines : (1) the purchase of goods at first hand from large central firms or directly from the producers, and the distribution of them among the members of the consumers' societies ; and (2) the production of goods in its own establishments.

The central financial institution of the Russian co-operative societies is the *Moskovski Narodni Bank* (People's Bank of Moscow), which began operations in May 1912, and grew beyond all expectations. The increase in its turnover is exhibited by the following figures : on January 1, 1914, 56,006,000 rubles ; in 1915, 110,221,000 ; in 1917, 1,188,463,000 ; in 1918, 5,823,578,000. On January 1, 1918, its capital amounted to 10,000,000 rubles. It is interesting to note that the People's Bank of Moscow during the war served not only as a centre for co-operative credit, but also as a centre for co-operative buying through its merchandise department, which procured articles necessary for agriculture.

Finally, we may give a picture of the co-operative movement

in Siberia, where it assumed very great proportions, and during the war became a mighty economic factor.

War conditions shattered the former scheme of economic life in Asiatic Russia as in European Russia, but in remote Siberia its effects were not felt quite so soon. With the increasing difficulties of the food situation the intervention of Government in the manufacture and distribution of necessary commodities became more and more imperative, and for the carrying out of this policy Siberia had no better machinery to offer than the co-operative societies.

In 1915 a government monopoly was declared on Siberian butter, the production of which was practically controlled by the co-operative unions of creamery associations. It is to be observed that they maintained the production of butter to the very end with the greatest success. Moreover, in the providing of beef, fat, bread, and forage for the army and civil population a very important rôle was played by the Siberian co-operative societies, which had exclusive charge of the distribution of monopolized goods and products.

Thus the greater part of the economic life of Siberia was carried on through the co-operative organizations, the influence and popularity of which, as well as their wealth, rapidly increased. Just before 1915 Siberia was covered by a complicated network of consumers', producers', and credit societies, which soon began to unite in local unions. The latter, in turn, formed two central co-operative unions : the *Zakoopsbit* and the Union of Credit Associations. The *Zakoopsbit* was founded in 1915 by the local unions of butter producers and consumers. At the end of 1917 it comprised 23 district unions scattered over an area extending from Perm to Blagoveshtshensk, a distance of 6,000 kilometres. At that time these district unions comprised 7,559 single co-operative societies with 1,657,472 members. In the spring of 1918 the *Zakoopsbit* comprised 30 district unions with a membership of 2,000,000. The business of the Union of Credit Associations was also very great, but unfortunately there are no statistics available to show its extent or even the number of unions embraced in it.

There is still a third co-operative central society in Siberia, namely, The Union of Siberian Creamery Artels, which was founded in 1907, and in 1914 comprised 864 creamery artels and 600 consumers' societies. In 1917 it comprised 1,410 creamery artels and 1,167 consumers' societies, served by 21 district offices.

The business of the co-operation in 1917 was :

	Rubles.
Zakoopsbit	43,000,000
Its district unions	108,000,000
Union of Siberian Creamery Artels	100,000,000
Credit Unions	unknown.

The capital of the Siberian co-operative societies increased rapidly, although their profits ranged from only 0·50 per cent. to 4 per cent., according to the nature and quality of the goods handled. At the end of 1917 the capital of the *Zakoopsbit* amounted to 2,200,000 rubles, and that of its district unions to 9,500,000 rubles.

The Union of Siberian Creamery Artels does not seek to accumulate capital, but nevertheless at the end of 1917 it had a capital of more than 2,000,000,000 rubles.

The majority of the larger co-operative societies have their own printing offices, where they publish pamphlets, newspapers, and magazines. Besides, they employ a large staff of instructors. Some have power plants, tanneries, soap factories, ropewalks, saw-mills, works for repairing agricultural implements and manufacturing butter tubs, etc. They give special attention to the development of fisheries and the procuring of common and refined salt from the local lakes.

The Bolshevik revolution in October 1917 dealt a heavy blow to the co-operative movement, as well as to the general economic life of Russia. The tendency of the Bolshevik régime to nationalize the co-operative organizations created great consternation among them, as they had good reason to be anxious about the fate and the safety of their accumulated capital. The deposits in the co-operative banks began to diminish greatly. An agreement was reached between the co-operative

organizations and the Soviet Government whereby the former were exempted from nationalization. Nevertheless, on account of the increasing disruption of transport, the pillage of goods on the road, the collapse of industry, and the destruction of bank credit, the commercial activity of the co-operative societies received a severe set-back in the first half of 1918.

PART II

RESULTS OF THE ECONOMIC POLICY OF THE BOLSHEVIKS

PART II

Introduction

When at the end of 1915 a Norwegian socialist proclaimed universal disarmament as one of the essential conditions for the maintenance of peace, Lenine indignantly denounced the idea in his paper, *The Communist*, published in Switzerland, where he was then living as a humble political emigrant. Contending that the solution of the problem did not lie in the throwing down of arms, he preached the doctrine that the workmen and peasants, having repudiated the idea of international war, should unite to overthrow the power of the world's capitalism and the world's militarism; and having done so, they should strengthen their own position by the establishment of a proletarian dictatorship.

This call to replace international war by a general class war precipitated a controversy among the different socialistic groups. Outside of these, however, it attracted little attention except on the part of the German General Staff, which from the very beginning of the war had reckoned that the inevitable Russian revolution would be to its advantage. Accordingly, as soon as the revolution actually broke out, in the first days of March 1917, the German General Staff instantly decided to make use of the opportunity to hasten the economic and political dissolution of Russia that had already begun as a result of three years of exhausting war. We know from Ludendorff's *Meine Kriegserinnerungen* that the decision of the German Government to allow Lenine and his followers to pass through Germany was a carefully considered act; having examined the matter from all sides, it gave its consent, notwithstanding the fact that it regarded the acts of Lenine, as acknowledged by Ludendorff, as dangerous, not only to Russia, but also to Germany herself.

Lenine's preachings fell upon good soil in Russia, where they

soon contributed to accelerate the process of dissolution. The Bolshevik doctrines, the Bolshevik formulas, were quite clear and intelligible to the great mass of Russian people, who saw in them visions of possible freedom from their century-old misgovernment. All efforts of the first Revolutionary Government, that of Prince Lvoff and Miliukoff, as well as of the following Kerensky Government, to stop further decay, to restore the normal political and economic life of the country, to repair the government machinery and gain the confidence of the people, were totally unavailing. Still less successful, moreover, were their efforts to reorganize the army and excite in it a desire to launch another attack upon the enemy. The soldiers, among whom the effects of the Bolshevik propaganda were soon revealed, not only deserted in masses, in the literal sense of the expression, but not infrequently carried their weapons away with them quite without regard to the orders and exhortations of their commanding officers.

In the month of July 1917, four months after the revolution, Lenine reckoned so far on the results of his endeavours that he launched his first revolt. The attempt was unsuccessful, however, for the reason that a considerable part of the army proved to be still on the side of the Revolutionary Government. For a long time Lenine was obliged to remain in hiding. He did not give up his plans, however, but continued to prosecute them from his place of concealment. Korniloff's conspiracy proved to be of great service to him, since it provided him with several new matters for agitation. Moreover, the complete disruption of the supply system, which had resulted in an alarming scarcity, the cutting off of all communications, the outbreak of the national movement in the borderlands—these and other factors were added weapons in his hands. Finally, the popularity of Kerensky, which had increased so rapidly in the first days of the revolution, before he appeared at its head, now began just as rapidly to decrease. The result was that in the memorable days of October 1917 the Bolsheviks once more launched a revolt, this time with complete success.

Not only the opponents of the Bolshevism, but also many of

the Bolsheviks themselves, had no faith in the stability of the Soviet Government or in its capacity for holding its own. This was especially the case after the publication of the results of the elections for the Constitutional Assembly. Although even during the election there were signs that Lenine and his followers would acknowledge the Constitutional Assembly only in case the results were in their favour, nevertheless it was expected that they would willingly resign the power in case of an unfavourable outcome. But these expectations proved illusory when Lenine proceeded to disperse the Constitutional Assembly. Moreover, no protests on the part of the other socialistic parties could influence the Bolsheviks, who realized the full force of their power, and called it the dictatorship of the proletariat. By arms, as well as by a whole series of despotic measures, e. g. the creation of the Extraordinary Commission to Combat Counter-revolution and Speculation, the abolition of freedom of the press and of assembly, they were fully successful in sealing their triumph. In all provinces recognizing the Soviet power, as also in all provinces subjected to it, there were established provincial councils of workmen's and peasants' deputies. The highest legislative power for Soviet Russia was vested in the All-Russian Council of Workmen's and Peasants' Deputies, and the highest executive power in the Central Executive Committee of Workmen's and Peasants' Deputies.

It is not our purpose in this work to summarize or evaluate the political events in Russia from the outbreak of the revolution. Our attention is directed exclusively to the economic action of the Bolsheviks. It is safe to say that from the beginning of history humanity has never witnessed so complicated an experiment in government, involving, as it does, not a small number of people or a limited region, but a population of more than 100,000,000, or, including the Ukraine and Siberia, of more than 150,000,000 scattered over an enormous territory. It is well known that in the years immediately preceding the World War a predominant group of the social democratic party had become more and more convinced that a social revolution could succeed only after gradual transitional movement, and certainly

not by a sudden revolt. The Bolshevik group of the Russian Social Democratic party, which was formed by Lenine in 1903 after the schism in the party's congress in London, still persisted in its adherence to the maximum programme, including the demand for a violent revolution and the establishment of the proletarian dictatorship, up to the moment of the complete triumph of socialism throughout the world.

At the beginning of 1920 the Soviet Government, having begun a new campaign for peace, sent a number of wireless telegrams to all the western powers proclaiming that, since Kolchak and Denikin had been defeated and the Allied Powers had abandoned intervention, it considered that its principal aim—the strengthening of the victory of socialism in Russia—had been accomplished; and that in consequence it had decided to limit the powers and activities of the Extraordinary Commission to Combat Counter-revolution and Speculation. At the same time Lloyd George and other foreign statesmen issued declarations to the effect that the blockade of Russia was to be raised, and that the trade relations with her were to be renewed. For this reason the question of the economic state of Soviet Russia has become of practical interest and importance.

State of Finances

It cannot be denied that at the moment of the Bolshevik revolution the financial condition of Russia was most critical. The country was veritably deluged with paper money. The provisional government directed by Kerensky, who, as stated above, at the moment of the revolution had lost much of his popularity, had to struggle desperately to repair the broken-down financial machinery. The ordinary sources of revenue had been destroyed, partly by the war and partly by the swift economic disorganization of the country. The Government was therefore obliged to have recourse to the establishment of a whole series of unpopular taxes, in order to cover, if only in part, the enormously increased expenses arriving from the demands of the government officials and workmen. In spite of vigorous efforts to popularize it, the last pre-Bolshevik loan,

called the Liberty Loan, yielded only 4,000,000,000 rubles—a rather modest sum in comparison with the anticipated results and the actual requirements of the country. Under these circumstances the Commissariat of Finance, in order to cover the national deficit, was forced to have recourse to a more extensive issue of paper money. In one month (September 1917), accordingly, no less than 1,900,000,000 rubles were issued, although in July, Shingareff, the Minister of Finance, had complained that the government printing office could not turn out daily more than 30,000,000 of the 75,000,000 rubles required daily in the country.

Although the Bolsheviks included in their programme the abolition of money, nevertheless they wisely saw fit to confine themselves to declarations of principle, and in practice to tolerate all kinds of 'bourgeois' revenues and resources for the realization of their immediate aims. One of their first measures for providing themselves with money was their order forbidding all banking institutions, including the State Bank, to pay out more than 1,000 rubles at one time to any private person, either through cheques or in cash. So far as business establishments were concerned, it was ordered that the funds required for the continuation of their work were to be paid out by order of the workmen's and officials' committees created in each establishment.

Feeling themselves stronger, the Bolsheviks then began to execute their programme of abolishing all private capital. On March 17, 1918, the Executive Committee of the Petrograd Council of Workmen's and Soldiers' Deputies issued a temporary order regulating the payment of money by private banks and savings banks—a measure calculated to prevent the capitalists and bank depositors from withdrawing their money. The next measure limited the rights of depositors to the withdrawal of only a certain sum in the course of one month. These and the preceding measures of the Executive Committee created a real panic. But a considerable number of private bank depositors succeeded in saving their money, either partly or entirely, by means of bribery or through the help of acquaintances in the

Bolshevik Government. The measures had an immediate effect upon the general financial state of the country, which would have been none too satisfactory even without such drastic action.

At the same time the Soviet Government launched an attack on foreign capitalists, beginning with the foreign holders of Russian bonds. At its session of January 21, 1918, the Central Executive Committee voted: 'All foreign loans, without exception, to be annulled'. Moreover, from December 1, 1917, there were annulled: 'All public loans contracted by the governments of Russian proprietors and Russian "bourgeois" and enumerated on a special list'. In order to execute this resolution the December coupons of these loans were declared valueless. Only short-term loans and Treasury bonds were to retain their value; but it was decided to pay no interest on them, and all bonds were declared legal tender like ordinary paper currency. An exception was made for the possessors of small capitals amounting to 10,000 rubles in interior bonds, who were granted the right to exchange their bonds at par for 'certificates' of the new loan of the Russian Federative Republic'. But this loan, it appears, was never realized. Another exception was made for the holders of bonds corresponding to interior loans granted to co-operative societies, *zemstvos* and other similar institutions. It was resolved that such bondholders should receive compensation for their loss.

We cannot say that the financial policy of the Bolsheviks was distinguished by consistency. On the contrary, vacillation revealed itself from the first day of their usurpation, and it has continued to the very time of this writing, i. e. to the beginning of June 1920, or two and one-half years from the outbreak of the October revolution. This vacillation was apparent in their first efforts to establish a tolerably firm basis on which to build up the financial administration of the country. The campaign against private capital and the annulment of all foreign and interior loans could not save the Bolsheviks from the necessity of seeking sources of revenue for the covering of public expenses. The government machinery, although modified according to the

Soviet plan, had to be kept running, and it required ready cash at least until it could devise other satisfactory means of paying the enormous army of officials, workmen, troops, police, etc.

From the very outset, however, it proved to be an exceedingly difficult task to draw up any kind of budget, due to the sudden abolition of the numerous traditional sources of revenue on the basis of which national budgets are drawn up all over the world. In order to avoid financial difficulties and at the same time to prepare new socialistic foundations for the administration of the public finances, a special section of the Council of People's Commissioners was created as early as November 22, 1917. This section, consisting of only twenty-three members, was called upon carefully to examine all the claims for money made by the different public and private institutions, in order to ascertain their real needs. It was further required to present to the Council a detailed explanation of the reasons for all grants demanded, which were to be voted by the Council. Finally, a special control committee of nine members, elected by the Central Executive Committee of the Councils of Workmen's and Soldiers' Deputies, was appointed to supervise the use of the grants voted.

So far as sources of revenue were concerned, on January 23, 1918, the Council of People's Commissioners passed a resolution providing for a tax, once and for all, on the following conditions: Those possessing three or more work horses had to pay 100 rubles on each horse; those occupying in 1917 more than twenty-five *dessiatines* of farming land, whether owned or leased, were obliged to pay a tax of 100 rubles on every *dessiatine* over and above the minimum of twenty-five. The owners of stocks and bonds representing sums of more than 10,000 rubles were required to pay 20 per cent. of the nominal value of those securities if the collective sum did not exceed 100,000 rubles, and 40 per cent. of the sum exceeding this minimum. This tax might be paid, not only in ready money, but also in bread and other products valued according to the fixed maximum prices, with the stipulation that their aggregate value should not exceed three-quarters of the entire tax.

It is not surprising that the practical results of all these measures were more than modest. The trouble was that even before this the Council of Commissioners had precipitately put an end to all private banking activity by closing and nationalizing the private banks. This had been effected by the laws of December 16, 1917, and January 19, 1918, although several banks had been nationalized even before that time. According to the laws referred to, all joint-stock banks, as well as all private banking institutions, together with all their assets and liabilities, were declared nationalized, and the State Bank, now called the People's Bank, was placed at their head. The Council of Commissioners decided that compensation should be offered only to the small shareholders and partners of banking institutions, and that all the contents of safes and store-rooms should be examined.

All these arrangements caused a panic among the well-to-do people and also, of course, among the enterprisers and merchants, and merely accelerated the economic disorganization of the country. Those who immediately after the revolution had time to save their capital considered themselves fortunate. Others tried by all means—among which bribery was by no means uncommon—to extract as much as possible from their bank accounts and safe deposit boxes, and in this way many succeeded in rescuing their jewellery, bonds, etc. The Soviet Government, however, unexpectedly found itself in a rather awkward position in consequence of the nationalization of the banks. Almost all the bank clerks, those of the former State Bank, as well as those of the private commercial banks, refused to have any relations with the Soviet Government; and among its adherents there were far too few persons qualified for the difficult task of transferring valuables from the private banks to the People's Bank. During this time the Bolshevik authorities made many blunders which afterwards proved to be an irreparable damage to the Soviet power.

Shortly afterwards the Soviet Government found itself in a difficult financial position. Revenues proceeding from taxation had almost ceased to come in. Furthermore, many of the

local councils, instead of retaining 25 per cent. of all revenues, as prescribed by act of the Council of Commissioners, appropriated the whole amount under the plea that the needs of the local administration were increasing. Indeed, the local councils did not confine themselves merely to disregarding the directions of the central power as to the transmission of revenues, but even went so far as to levy taxes on their own account, as well as to execute confiscations, to carry out the nationalization of various industrial and commercial enterprises, etc. In such chaos it was inevitable that the food crisis, which had already been acute on the eve of the Bolshevik revolution, should come to a head. The left-wing Bolsheviks instantly demanded an immediate economic nationalization of the entire country, and this, of course, placed the Commissioner of Finance in a very difficult position for arranging the budget.

It was decided to summon a meeting of the provincial commissioners in Petrograd on May 5, 1918, for a general consideration of the possible measures to be adopted for the purpose of avoiding a financial crisis. The Commissioner of Finance, Goukovski, announced to the assembly that the government expenses at the end of the half year amounted to 40,000,000,000 rubles, which appeared to be quite unexampled. Among other things, he called attention to the great increase of salaries for the officials of the new institutions and demanded a considerable and immediate reduction thereof. After showing the inadequacy of the proposed direct taxes, Goukovski insisted, as a first item, on the necessity of establishing a number of indirect taxes on the commodities most needed by the masses; and on the same occasion he emphasized the necessity of taking measures to increase the productivity of labour.

At this same meeting Lenine introduced his programme by a speech in which he sharply attacked the provincial councils on the ground that they were proceeding in a manner calculated to thwart the general government policy and at the same time placing serious obstacles in the way of the measures of the Commissioner of Finance. He therefore demanded a strict centralization of financial control and the introduction of a

fixed monthly assessment based on the progressive principle, stipulating that those who refused to pay were to be subjected to merciless punishment. The principal measure proposed by Lenine was the issue of new notes with limitations upon the right to exchange them for old notes. Under these limitations the holders of only a certain minimum of old notes might exchange them for their equivalent in new notes; and to holders of more than the minimum the general principle was to be applied that the smaller the quantity they held the greater the percentage of new notes they might receive. Finally, Lenine emphasized the gravity of the financial crisis and demanded a prompt execution of the measures proposed by him. As is evident from the press of that time, this speech of Lenine made a deep impression on his hearers. The proposal to annul the old notes by exchanging them for Soviet money on the principle proposed by Lenine did not, however, meet with any sympathy. The majority of his followers, in view of the insecurity of the Soviet rule, regarded this measure as very dangerous for the reason that the people in general were prejudiced in favour of the old imperial rubles.

After strenuous work Goukovski made up the estimates of expenditure for Bolshevik Russia, excluding the invaded regions, to the amount of more than 20,000,000,000 rubles for the first half year. The ordinary expenses were calculated at 8,000,000,000 and the extraordinary expenses at 14,000,000,000. Revenues for the covering of these expenses were calculated as follows: 736,700,000 rubles from direct taxes; 139,000,000 from indirect taxes; 97,000,000 from the alcohol monoply, 229,000,000 from postal and telegraph service; and some others. Later on, however, it proved that even these modest estimates of revenue were too high, while the actual expenditures, on the other hand, greatly exceeded the estimates. In the meantime the financial situation was rapidly growing worse in consequence of various unfavourable conditions.

There soon appeared among the People's Commissioners, despite the opinion of Goukovski and the will of several other moderate members of the Soviet Government, a tendency

toward requisitions and confiscations. One of the results of this tendency was the issue of the circular of the then Commissioner of National Affairs proclaiming the right of the local agents of the Soviet Government to have recourse to assessments and requisitions on decision of the provincial councils. Although this measure was shortly afterwards annulled, the provincial councils and their agents nevertheless continued systematically to carry out their own method of seizing private capital. The Supreme Economic Council—an institution created by the Bolsheviks after their usurpation of the power—opposed this financial disorganization, but even this opposition had no real result. Moreover, the efforts of the Commissioner of National Affairs to annul his own circular were in vain, as were also his efforts to limit the demands for money on the part of the local authorities. The result was that financial chaos became a chronic symptom of Bolshevik rule in Russia.

This did not, however, restrain the Soviet Government from further execution of its programme—the seizure of private capital, regarded as a more or less dangerous weapon in the hands of the 'bourgeois' for the oppression of the working classes, and the abolition of money, regarded as a quite superfluous medium for the exchange of goods under a socialistic régime. In pursuit of these aims the Bolsheviks continued to make desperate attempts to reconstruct the financial balance, seeking every means for the abolition of money or at least for the discontinuance of the circulation of paper money. Even before Lenine's proposal to annul the old money, Spoonday, the Commissary of the People's Bank, proposed that all paper money in circulation should be changed for the new Bolshevik notes in the course of three months. The owners were to receive 50 per cent. in new money, and the rest was to be credited to their accounts. But on this occasion, as on a later occasion when Lenine advocated a similar scheme, but one more candidly directed against the well-to-do classes, the only effect of the proposal was that the richer classes had recourse to all sorts of devices for saving their capital.

When it became necessary to cover the financial needs

of the country, accordingly, there proved to be only one way out, namely, that of printing new notes and facing the unavoidable consequences of further depreciation. According to evidence given by the former State Bank, on October 6, 1917, there were 16,200,000,000 rubles in circulation; and of this amount 6,200,000,000 belonged to the first two and a half years of the war, and the balance to the time of the revolution. The October revolution led to a far greater activity in the issue of paper money. In spite of the heavy taxes imposed by the Soviet Government on articles of necessity—taxes against which every socialistic group, especially the extreme left, had protested in normal times—the revenues secured were inadequate. The result of the incessant increase of paper money was such that on May 1, 1918, there were notes outstanding to the amount of 41,000,000,000 rubles. The circulation became more and more abundant and no measures whatever could stop the flow.

The Bolsheviks state that at the end of 1918 the total circulation of paper money in Soviet Russia, including that of the Tsar, that of the Duma and that of the Kerensky Government, was from 220,000,000,000 to 250,000,000,000 rubles. There is nothing remarkable in this, when one takes into consideration the fact that the Soviet Government, with its enormous expenses for the organization and administration of all the economic life of the country, was obliged to cover the principal part of these expenses by the issue of paper money, because it had no other adequate sources of revenue. In view of the fact that the value of these notes declined with every new issue, there remained only one solution of the problem—that of a more extensive printing of them. Thus up to the present, at least, the Bolsheviks have not discovered any kind of panacea for the financial disorganization of the country. Neither Lenine nor his colleagues, the People's Commissioners, have been able to devise anything to replace the 'bourgeois' system.

But this is not all. The most remarkable phenomenon in the financial economy of Soviet Russia consists in the extra-

ordinary attachment manifested by all classes of the Russian people, as also by the inhabitants of the borderlands now declared independent (such as the Caucasian states, the Ukraine, the Baltic states), to the notes belonging to the former imperial régime. Although exchanges do not exist in Soviet Russia, the attitude of the inhabitants toward the notes of the different categories is quite decisive. The old imperial rubles are in greatest demand and are quoted higher than any others. For 100 rubles in imperial notes one can get 800–1,000 rubles in Soviet notes, 500–800 rubles in Kerensky notes, and 300–500 rubles in Duma notes. The quotations fluctuate according to the locality and various other circumstances, but no efforts have succeeded in inducing the inhabitants to prefer the Soviet notes or to treat them as equal to the old imperial notes. It is interesting to observe that, according to a statement of the Soviet Government, 75 per cent. of the circulating imperial notes have been printed by the Bolsheviks themselves. This statement has not weakened the popular preference for the old money, however, and this preference further evidences the popular distrust of the stability of the Soviet Government.

The depreciation of the paper money is one of the most serious obstacles to the economic elevation of the country. Complaints on this score are repeatedly made by all the representatives of the Bolshevik power and are echoed in different ways by the Bolshevik press; but the Bolsheviks confine themselves to complaining and elaborating projects and solutions which remain only on paper. All the plans of the Soviet Government, from the very first day of its existence, have steadily aimed at the complete abolition of money and the substitution for it of the so-called 'payment in kind' system, that is, settlement by means of necessary articles of consumption.

That no solution of the problem has thus far been found is confirmed by the following quotation from the *Economicheskaia Shisn* of February 4, 1920: 'Aside from the partial reckonings made by the Bureau of Estimates of the Supreme Economic Council, which carried through calculations amount-

ing to 1,500,000,000 rubles in 1919, nothing has been done. And yet the expenses for the administration of our institutions (the Supreme Economic Council controls the greater part of the nationalized industry of Soviet Russia) come to more than half of the entire budget, that is to say, nearly 100,000,000,000 rubles. A considerable part of these expenses went to pay the workmen. In a word, there is still a long way to the elimination of money and its replacement by 'payments in kind'.

The question of the abolition of money served as one of the principal topics for discussion at the Third Congress of the Economic Councils. After a long debate there was voted a resolution strongly emphasizing 'the inconveniences and disadvantages of the present system of the circulation of money' and hinting at a series of measures which were to bring about a 'gradual replacement of the money system by the system of "payments in kind"'. Still, even in voting this cautious resolution the congress considered it necessary to add the following: 'In the transitional period . . . while the production and the distribution of goods are not yet organized on communistic principles, the abolition of money appears to be impossible.'

In reality, the experiment of replacing money could be carried through only in towns and almost exclusively in large industrial centres where organized and conscientious workmen were to be found, some of whom had declared themselves to be communists and on that account were under a certain obligation to further the realization of communistic principles. But the experiments up to this time have produced very few consolatory results. A serious obstacle is created by the fact that the villages, which have always played, and especially at this moment are playing, an extremely important rôle in the economic life of the people, absolutely refuse to send their products into the cities. It is true that the Russian peasants now show a decided unwillingness to exchange their products for the extremely dubious paper money, preferring to exchange them for other goods of which they are in dire need. At the expiration of two and a half years of rule the Bolsheviks had

not succeeded in restoring the national industry, the destruction of which had been begun by the great war and was afterwards completed by the Bolsheviks themselves with the object of introducing a new politico-economic order based on communistic principles. The Russian peasant, three years after the overthrow of the imperial régime, remains in his former state of development and has little or no understanding of the socialistic doctrines.

On this account the Soviet Government, in pursuit of its practical financial policy, has been seeking to draw back again some of the enormous reserve of paper money that has accumulated in the villages. It is calculated that no less than two-thirds of the paper money circulating in Russia is in the hands of the peasantry. There is nothing remarkable in this fact, since in the long run the supply of money was bound to become concentrated at the sources of food production. But whatever means the Soviet Government has employed to accomplish its purpose, such as heavy taxes, requisitions at minimum prices and partial confiscations—they have all proved unavailing; and the total circulation of paper money continues daily to increase with irresistible force.

Accordingly, it will not seem astonishing that the successive semi-annual budgets are steadily increasing to such an extent that each one, compared with later ones, seems almost modest. We have already noted that the budget for the first half of 1918 exceeded 20,000,000,000 rubles. The budget for the first half of the year 1919, published on May 22 in the official Moscow 'News of the Central Council of Workmen's and Peasants' Deputies', provides for 20,349,627,888 rubles of revenue and 50,702,627,888 rubles of expenditure.

Not to enter upon detailed calculations, we may point out that in the course of a single year the state expenses increased exactly two and a half times. If we were to compare the expenditures with the revenues, we might indeed be led to the conclusion that the Bolsheviks had succeeded very nearly in balancing them. In reality, however, the estimated revenues do not represent anything but the good wishes of the Commissioner

of Finance. According to the budget, for example, the expenses for the nationalized industries were estimated at 15,439,115,945 rubles, whereas the corresponding revenues from the sale of goods delivered by the nationalized industries were estimated at 1,503,516,945 rubles. In the outcome, however, the revenue appears to have been only 54,564,677 rubles, i.e., 3.50 per cent. of the estimate, whereas the actual expenses for the nationalized enterprises proved to be considerably higher than the estimates, due to the steady increase of wages for workmen and officials, together with the rise in prices.

The budget for the second half of 1919 was to be made out on a much larger scale. According to an approximate calculation, the expenditures were to exceed 80,000,000,000 rubles. Unfortunately we were unable to procure more precise information about this financial half year. It will suffice to mention, however, that the official economists have shown that at the end of two and a half years of the Bolshevik rule there are some 230,000,000,000 rubles of paper money outstanding in Soviet Russia. This fact makes it sufficiently clear that there can be no definite relation between the value of money and the value of goods even in domestic transactions; and as for foreign transactions, the credit of Soviet Russia is clearly revealed by the fact that the Bolshevik money is not accepted at all, while the Kerensky money is valued at 2.50–4 per cent. of its nominal value, and the imperial ruble is worth only three times as much as the Kerensky ruble.

In the first quarter of 1920, during the propaganda carried on in favour of compulsory labour as a means of reviving industrial activity in Soviet Russia, to which we shall refer again, the question of the abolition of money again came to the fore. The Congress of the Economic Councils voted a project introducing compulsory labour, for which purpose a part of the army, in consequence of the Bolshevik victory over Kolchak and Denikin, was to be converted into a labour army subject to military discipline. The Bolshevik press argued that this measure laid the foundation for the introduction of communism in Russia. The Bolshevik financial theorists

sought to demonstrate that one of the logical and necessary consequences of the establishment of a communistic state would be that money would become entirely superfluous. As everybody works, each in his speciality or as directed by the organs concerned, so everybody earns the right to a share of the joint production. The distribution of products could be effected without the use of money as required in the capitalistic or 'bourgeois' system. Although the debate had not been concluded at the time when these lines were written, the above-mentioned resolution, voted at the Congress of Economic Councils, shows that the members of the Soviet Government are not inclined to carry out such a measure without carefully weighing all the consequences, especially after their having made several unsuccessful attempts to abolish the old and later the new (i. e. the Soviet) paper money.

Two important circumstances bearing upon the financial problem have to be taken into account by the Soviet Government at the present time. Abandoning intervention and support of the enemies of the Soviet Government both in Russia and abroad, England, France, the United States, Italy, and also Germany resolved to raise the blockade of Russia and renew trade relations with her. But the Soviet Government, on its part, was not satisfied with this and endeavoured to make peace with all its enemies. Furthermore, it declared its readiness to acknowledge the foreign loans formerly annulled by it to their full amount, or in the proportion of 60 per cent. of their nominal value.

Thus the question of the renewal of the validity of the loans, as well as of the renewal of the exchange of goods with other nations, raises the fundamental question of payment. As one means of settlement we may mention the granting of concessions for the exploitation of the natural resources of Russia. But the question cannot be solved by this means alone, and the factor of money consequently remains. All Russian problems connected with the acknowledgement of foreign loans and the resumption of trade relations necessarily involve consideration of the question of payment.

For dealing with values in foreign trade the Soviet Government has planned the issue of a special kind of notes or certificates guaranteed by platinum. The amount of these certificates is to be limited to 300,000,000–500,000,000 rubles par, but the details of the plan are still unknown.

State of Industry

In the same ruthless manner in which they destroyed the financial machinery of Russia, the Bolsheviks proceeded to the nationalization of Russian industry, brushing aside all obstacles that stood in their way. The principles of the new socialistic order were set forth by them in their well-known Declaration of the Rights of the Toiling and Exploited People. This declaration, prepared by them for submission to the Constitutional Assembly, which they later dispersed because they failed to carry the elections, was published in the Petrograd newspapers on January 5, 1917, and the principles it promulgates may be said to epitomize the real programme for the reorganization of all Russian economic life on a socialistic basis.

The first two sections of Chapter II of the declaration are of chief importance to us. The preamble of this chapter declares that the demands of the time are: the elimination of all exploitation of the workers; the complete abolition of the class system; the placing of society on a socialistic basis; and finally, the triumph of socialism in all countries. The two sections upon which we lay chief stress contain the following proposals: (1) In order to effect the socialization of land, private ownership is to be abolished; all land is to become the common property of the people and is to be equally distributed among the toiling masses without compensation. All forests, mines, waters, etc., important to the people as a whole, as well as all live-stock and dead-stock and all estates and farming enterprises, are to be the property of the state. (2) The decree published by the councils for the introduction of workmen's control and the establishment of a Supreme Economic Council, in order to strengthen the power of the working classes against extortioners, is proclaimed to be the first step toward

the transfer of factories, workshops, mines, railways, and other enterprises into the hands of the workmen's and peasants' Soviet Government.

It might appear that the Bolsheviks found conditions more favourable to their aims in this case than when they tried to effect the transfer of the private financial holdings into the hands of the Government. As a matter of fact, workmen's committees for controlling the activity of industrial enterprises had already been established by Skobeleff, the Minister of Labour in Kerensky's Government. Moreover, the Bolsheviks now had many followers among the factory hands and naturally reckoned on their help in the economic reorganization. Shortly after the revolution, however, Lenine and his supporters encountered unexpected difficulties. Instead of the anticipated outburst of enthusiasm among the workmen, they met with a complete lack of understanding. From the very first step toward the execution of the new economic policy, i. e. the *economic socialization* of the country, the workmen created an endless succession of difficulties which proved insurmountable for the Bolshevik leaders.

With good reason, therefore, the moderate Bolsheviks demanded extreme caution in carrying out the project of nationalization. Among the opponents of such experiments we find the Commissioner of Finance, who maintained that it was first of all necessary to raise industry from its prostration; and for that reason he even went so far as to recommend the encouragement of private initiative. The opposite extreme was maintained only by the inspirers and authors of the project of the immediate nationalization of industry throughout the entire country—Larin and Lenine.

It is necessary to state that shortly after the new elections had given the Bolsheviks an enormous majority, and even before the Council of People's Commissioners had voted any decision, some of the separate councils of workmen's and soldiers' deputies, among them that of Petrograd, had begun to carry out the nationalization of various enterprises on the basis of workmen's control. For the most part, however, this

control was exercised by ignorant workmen. In the first days of December 1917 a delegation of workmen and clerks appeared before the board of directors of the well-known mining company of Simoff and announced that the whole enterprise, according to a resolution of the workmen and clerks, was now in their hands. The board of directors of course refused to submit to this action, whereupon the delegation proceeded to the Smolny Institute, the meeting-place of the Petrograd council, which not only supported its demands, but even issued a special decree confirming the resolution of the workmen. By the same decree, moreover, the members of the delegation were given the title of commissaries and authorized to inform the board of directors that the enterprise, according to vote, had been confiscated for the benefit of the country. Instead of simply giving notice, however, the newly appointed commissaries appeared with a company of armed Lettish soldiers, barred up all the entrances and exits, announced that all persons inside were under arrest, and demanded a declaration from the directors to the effect that they submitted to force. After many refusals the directors were obliged to yield, whereupon the commissaries demanded a similar declaration from all other persons in the employ of the company, warning them not to engage in sabotage but to continue their work. The employees yielded and signed the declaration, but afterwards they refused to abide by the engagements into which they had entered under compulsion.

Similar treatment was accorded to another well-known mining company, namely, that of Bogoslovsky, perhaps the largest of all the Ural mining companies. In nationalizing these enterprises the Bolsheviks hoped that they would encounter no opposition. They were convinced that by confiscating this and other large enterprises, technically efficient and well organized, they might show the world that they were able to execute their economic programme without difficulty.

While endless theoretical disputes were carried on between the moderates and the radicals, the common workmen, under

the command of active Bolshevik leaders, hastened to turn theory into practice and in so doing completed the disruption of the economic life of the country. We may boldly assert that the actual power at that time was not in the hands of the Soviet Government, which was time and again obliged to modify its own aims to meet the demands of the more radical workmen and soldiers. Even in the enterprises where the workmen's committees did not insist on immediate nationalization, an inclination was shown to the pursuit of policies not conducive to the maintenance of normal industrial activity. The inevitable result was that production continued to fall catastrophically, even in comparison with the last period of Kerensky's rule.

This state of affairs lasted for about six months after the Bolshevik revolution. Not to delay over the innumerable details, we will content ourselves with citing a few illustrative instances. At the end of December 1917, Shliapnikoff, the Commissioner of Labour, having succeeded the social democrat, Skobelleff, of Kerensky's Cabinet, who was arrested and imprisoned together with the other ministers, issued a communication in which he severely reproached the workmen for their tendency incessantly to increase wages and at the same time to diminish production. Moreover, he strongly emphasized the necessity of collaboration and condemned the use of merciless violence against the technical staff and administrative officers. Without discipline, he declared, without systematic and regular work, it would be impossible to rebuild the economic life of the country.

The decree mentioned at the beginning of this chapter on the transfer of all enterprises into the hands of the Soviet Government fell far short of changing the attitude of the workmen and soldiers. From every quarter came distressing reports of a steady decrease of production and a rapid increase of unemployment caused by the closing of factories and workshops. At the same time the price of food and industrial products rose higher and higher, with the general result that conditions of life not only did not improve, as the Bolsheviks had

triumphantly promised, but, on the contrary, grew steadily worse.

The moderate Bolsheviks became more and more convinced of the peril of any further experimentation, and for a short time it seemed that their opinion was gaining predominance. By their advice negotiations were carried on with leading members of the 'bourgeoisie', as also with prominent promoters of trade and industry, to the end of discovering some satisfactory basis for peaceful collaboration. Everywhere the nationalized enterprises were operating at an enormous loss, and the workmen's committees, the members of which very rarely showed any business ability, were only increasing the chaos. In the last part of February and first part of March the state of affairs appeared quite hopeless, and the uncertainty of the Government authorities was evidenced by the manifestation of a decided readiness to make considerable concessions. Suggestions were advanced for creating a great trust comprising the most important metallurgical enterprises of Russia. The private enterprisers were represented by the well-known Moscow merchant, Mestchersky, who even proposed a plan of his own.

In Moscow consultations were held under the presidency of Lenine himself, who proposed a plan whereby a number of enterprises employing 300,000 workmen and a capital of 1,500,000,000 rubles, which was to be regarded as belonging to the state, were to be consolidated, and the former proprietors were to be considered as Government officials. The supreme economic power—the Central Economic Council—was to distribute the functions in the syndicate among the former proprietors, the technical staff and the administrative officers, on the one side, and the Soviet officials, on the other. But the negotiations made slow progress. Sometimes the enterprisers present at the consultations were informed that nationalization had been determined on, and then again that the idea had been abandoned in principle. For some time the optimistic hopes of commercial and industrial circles were strengthened by constant newspaper rumours to the effect that the activity of the private

banks would be renewed in consequence of negotiations between representatives of the Soviet Government and a group of well-known Russian financiers.

The second half of April 1918 passed in continual debates and negotiations between the members of the Soviet Government and the representatives of large commercial and industrial enterprises. The latter began to hope more and more that the Bolsheviks would abandon their policy of nationalization. In financial circles earnest preparations were made for the resumption of banking activity, and plans were discussed for creating a large industrial bank for the revival and support of industry. On the private stock market there appeared a certain resumption of trading activity; parcels of securities passed from hand to hand, although all securities were long before to have been surrendered to the state and stock jobbing had been forbidden under severe penalties. The newspapers of that time also gave evidence of a feverish speculation in foreign securities.

Only a few persons were aware of the fact that the Bolshevik leaders were playing this game for the sole purpose of gaining time in which to form an idea of the real intentions of the industrial and commercial circles. In this interval, when new hopes awoke among the 'bourgeois', the Bolsheviks had an opportunity to formulate a series of measures which clearly proved that they had no intention of renouncing their principles. Thus on April 20 there appeared a decree declaring that all interest-bearing bonds were to be registered, and that even Russian bonds held abroad, whether by Russians or by foreigners, were subject to registration. A much more serious symptom was the resolution passed by the Council of Commissioners on the nationalization of foreign trade, in spite of the dismal failures resulting from the nationalization of interior trade and industry.

In order to revive foreign trade and avoid a sharp conflict with the Soviet Government, a group of political and public personages of the old order, including the former ministers, N. Pokrovsky and V. Timiriarzeff, as well as several well-known enterprisers, merchants, and financiers, proposed to organize

a number of so-called international trade companies (the Russo-French, the Russo-American, the Russo-Japanese, the Levantine, etc.), which were to further the exchange of goods on the basis of a definite scheme for regulating supply and demand with reference to the requirements of the different countries interested. These companies were also to undertake the solution of all kinds of complicated problems concerning tonnage, value, insurance, etc. In this way it was proposed partly to meet the demands of the Bolsheviks and partly to keep alive private initiative in the maintenance of Russia's foreign trade, but, as was to be expected, the plans and projects came to nothing.

At the meeting of the Supreme Economic Council held in Moscow on April 27 the question of financing the nationalized industries, as well as those which had not yet been nationalized, was brought up for discussion. In spite of the demands of the moderate Bolsheviks, and notwithstanding the sad results of the innumerable experiments already conducted, Larin expressed himself in a most determined way in favour of further nationalization. Among other things he declared that he was unalterably opposed to any half-capitalist, half-state economic system, like that set forth in Mestchersky's project. 'In the first days of the revolution', he declared, 'it was possible to speak about attracting private capital; but not now. We want engineers, not shareholders!' Although Larin, in response to the questions from the other members of the meeting, gave assurance that he had expressed only his personal views, it was nevertheless generally understood that he was backed by all the activists, who alone could exert an influence over the masses, and on whom all further conduct of the Soviet Government was necessarily dependent.

The nationalization of separate enterprises and of whole groups of factories continued in spite of the animated discussions regarding the matter, and this alone indicated that the problem was far from solution in principle. The fact that the seizure of enterprises continued forced the conviction that the actual control of the situation was in the hands of the

extreme elements. Thus in the *Novaja Shisn* of April 27 we find an announcement to the effect that the Moscow Economic Council had decided to place the following enterprises of the Moscow industrial district under state management; the factory of Teelman Brothers, the aeroplane works of Gnome and Roan, the works of the Iljin Motor Company, the factory of Rabeneck, the factories of Feodoroff, Tshurbanoff and Smith, the Russian Machine Works, and Hansen's Parquetage Works.

So long as Bolshevik opinion was divided and Bolshevik action inconsistent, the persons whose interests lay in private enterprise still hoped that their rights would be restored and that the policy of nationalization would be abandoned. These hopes had not vanished even in the first half of May, when the advocates of private enterprise believed that the practical results of nationalization were playing into their hands.

The fact is that at the end of six months of Bolshevik rule Russian industry and trade already presented a decided aspect of ruin and dissolution. This is confirmed by the following sentences taken from the *Torgavo-Promishlennaja Gazeta* (the semi-official organ of the Commissariat of Industry) of April 27, 1918: 'Up to this moment the activity of the iron industry had generally been considered the best barometer of the economic condition of the country. The figures at our disposal give a very sad picture of this branch of industry. The total production of pig-iron in all Russia in 1917 in consequence of the decline in the last quarter of the year (i. e. after the Bolsheviks had seized the power) amounted to 184,000,000 *poods*, i. e. 5,160,000 less than the production in 1913 in the southern district alone. The production of this district, which before the war had augmented from year to year, continued gradually to fall and in 1917 was 130,000,000 *poods*, as compared with 189,150,000 *poods* in 1913. Of 64 blast-furnaces 20 were working tolerably well; but the rest had ceased their activity.' According to the same paper, furthermore the Southern Provincial Economic Council ordered the closing of the following six large factories for want of fuel: the Russian Providence, the Tula, the Drush-

kofsky, the Constantinofsky, the Olkhofsky and the Kadiefsky. The nationalized Ural mines suffered a grave depression in consequence of the lack of machinery and fuel. At that time the stock of ore of these works amounted to three and a half times the normal annual production. The Ural district suffered from the want of money and food, and the management was greatly handicapped by the fact that the former experienced directors had been driven away.

If efficiency already at that time had fallen far below the normal in the Ural district, the state of affairs was no better in the Moscow district, where in 1917 the production of pig-iron fell 14 per cent. below that of the preceding year, this, moreover, in the neighbourhood of the central Soviet power. The above-mentioned semi-official paper pictures the fuel situation in dark colours, as the production of coal continued to fall rapidly everywhere. In the Don district the production of bituminous and anthracite diminished by 229,000,000 *poods* in 1917 as compared with 1916, and the shipment by rail diminished by 306,000,000 *poods*. In the first four months of 1918 the production fell considerably more.

An equally gloomy picture is drawn by the same semi-official paper as regards petroleum. The principal region of production, Baku, was passing through an acute crisis. Boring operations were reduced to a minimum, and the refineries were closed one after another. The large enterprises suffered severely. The world-renowned enterprise of Nobel Brothers produced only 68,600,000 *poods* in 1917 as compared with 82,100,000 *poods* in 1916. The aggregate production in the Baku district fell from 363,000,000 *poods* in 1916 to 329,000,000 *poods* in 1917. Not less gloomy was the state of the copper industry. The production of copper in the Caucasus ceased entirely, and in the nationalized works of the Ural district it was reduced to a minimum. The aggregate production of copper in all Russia in 1917 diminished by 60 per cent. in comparison with 1916. Sad news also came from Siberia in regard to gold and silver mining, one of the richest branches of Russian industry. In Great Russia the sugar production fell from 50,000,000 to 15,000,000 *poods*.

Further, in the central industrial district it proved necessary to close many textile factories.

The tremendous decline in production, together with the progressive deterioration of transport, caused an unheard-of rise of prices affecting all commodities and especially articles of food. It is true that the Soviet Government had already had time to publish a series of measures (decrees) calculated to overcome the scarcity and prevent speculation; but even then it was clear that Russia had entered into a grave period of economic disorganization from which there was little possibility of escape. Food prices were regulated by the Council of People's Commissioners, who also fixed the rationing. This was not so important, however, as the fact that the people could buy articles not controlled by the Government at 'free prices', partly from speculators and partly in the open market.

We quote some prices at which it was possible to obtain products in Petrograd in the second half of April 1918. Rye flour, 6 rubles per pound;[1] butter, 16–20 rubles; lump sugar, 22–30 rubles; fat, 8½–10 rubles; olive oil, 16 rubles; milk, 2½ rubles per bottle; cream, 3–3½ rubles per bottle; curds, 4–4½ rubles per pound; sour cream, 2½–3 rubles per pound. The price of fish rose extremely; silure and sturgeon were sold for 7½–8 rubles; smelts, 5–6 rubles; pike-perch, 3–3½ rubles; common herring, worth 3–4 kopeks in time of peace, were sold for 1½–2 rubles apiece. Meat had almost entirely disappeared from the market, although with difficulty it was still possible to procure beef fit for soup at 8 rubles and veal at 8–9 rubles. Pork and mutton cost the same as veal, but were scarcely to be had. Fowls were never offered for sale. As for game, it was still possible to buy grouse at 16 rubles apiece, hazel-hens at 6–7 rubles, quails at 1½ rubles and capercailzies at 12–15 rubles.

It is well known how important vegetables are as food for the masses of the population. Turnips sold for 3½–4 rubles per pound; beets, 3–3½ rubles; carrots, 4½ rubles; onions, 2½–3 rubles. In the outskirts of the city one could buy potatoes at 2½ rubles per pound. Sausage-meat became very dear.

[1] One Russian pound equals 400 grams.

A badly smoked sausage sold at 14 rubles per pound; a so-called afternoon sausage at 12 rubles. Ham was sold at 9–12 rubles per pound.

We have given a fairly complete account of the food prices current in the early part of 1918, which in comparison with later periods, must be regarded as a happy period in the history of the food supply of the former brilliant capital of imperial Russia. But even then the general price level was startlingly high, especially if we take into consideration the fact that the value of the ruble was rather high in comparison with later times. If we make a comparison with normal times, we find that food prices in 'free sale' had increased from twenty-five to one hundred and twenty-five times over, while the value of the ruble in the interior of Russia had decreased only four or five times over. Even if we take into account the rise of wages, therefore, we are forced to the conclusion that the population was already suffering from grave economic distress.

The high prices, however, did not affect articles of food alone. From the moment of the Bolshevik usurpation the prices of industrial products also rose greatly. It is enough to say that pig-iron trebled in value in the course of the first months of the Bolshevik rule. In the general tendency toward high prices, which appeared in all branches of industry, the cost of fuel was the principal factor. Other contributing factors, however, were the increase in wages and the shortening of working hours, as also the disruption of transportation, due primarily to the considerable number of 'laid up' engines and cars and the lack of fuel.

In the Bolshevik governing circles these unfavourable facts could not pass unnoticed, representing, as they did, so sharp a contradiction of the triumphal promises of a quick transformation of Russia into a utopia for the great mass of workmen and peasants. Convinced that the process of decomposition would continue in spite of all their efforts, Lenine and his followers considered it more sensible to make no secret of the fact. At the same time, however, in their public speeches, as well as in their decrees and orders, they tried to shift the

responsibility to the bourgeois-capitalistic elements, which had resolved to recover their former position through sabotage and open hostilities. But it was tactically impossible for the Bolsheviks to confess their own weakness in the struggle against so many hostile elements. Lenine therefore brought forward an original explanation of the steady progress of industrial destruction, asserting that it was necessary to do away with everything connected with the old order and then to build up an entirely new order in its place.

On May 14, 1918, Lenine introduced his programme to the Congress of the Economic Councils by a speech on the economic state of Russia. Among other things he said: 'Regarding the work which until now has been done by the Supreme Economic Council, I see no cause for pessimistic conclusions. The tasks placed before the economic councils are colossal, and yet there is no likelihood of their not being done. We may be reproached on the ground that we have no positive and minutely detailed programme, that we issue decrees which we are presently obliged to alter; but all these reproaches are unjust. It is not our fault that we are obliged to construct a new life and form new economic relations under extremely unfavourable conditions. We live in an epoch of revolution and of positive revolutionary work, and therefore we have no time to follow the undoubtedly straight track laid out by the bourgeois order. It is to be regretted that we are not able, at this time of transferring the economic and industrial control into the hands of workmen and peasants, to act according to the wise saying: "Remeasure the cloth seven times to cut it once."

'We are not at all pleased that we are obliged to annul decrees already issued; but no man, if he is a real socialist, and if he correctly understands the matter and recognizes the historical importance of the tasks laid on the shoulders of the Russian proletariat, will reproach us for anything. Nobody can demand that we should at once feel the nerve of the new organization; this cannot be expected even of the most skilful specialist.' And further: 'The fact that Russia is very backward in many ways naturally makes it more difficult for

us to accomplish our universal task. At all events we have approached the moment of reconstructing the rotten economic system, and our efforts will never be forgotten. . . . Not much time will pass before the capitalistic-bourgeois order of things will lie in ruins. . . . We shall strike the last nail into the coffin of capitalism.'

This speech clearly reflects the disappointment of the Bolshevik leaders in the first results of their experiments in the field of nationalization and socialization, and at the same time shows that neither Lenine nor his followers considered it possible to retrace their steps. All Russia, or more correctly, the part of Russia in the power of the Bolsheviks, was already so far tangled up in the net that it was too late to escape. The private banks were ruined, the credit system was broken down, the industrial enterprises were disintegrated and in the full power of the workmen's committees. The specialists, whom they began to coax back to their former positions, did not feel the least inclination to return, however, especially since submission to the workmen's committees was an inevitable condition. Finally, communications with foreign countries could not be resumed in consequence of the danger threatening from the propaganda of a world revolution and a world civil war. The general result was that there commenced a series of tragic events, red terror, organized fighting between Bolshevik and anti-Bolshevik forces, during which the country was reduced to a condition of complete anarchy.

But the civil war was only grist to the mill of the extreme left-wing Bolsheviks, who openly took the name of communists. At the present time this wing, led by Lenine, Bukharin, Larin, Trotsky, and others, is trying to realize the communistic state in Russia. The merciless war put an end to all discussion of the denationalization of industry and trade and of the renewal of the activity of private and commercial banks. In the All-Russian Congress of Economic Councils the prominent Bolshevik, Miliutin, a member of the Supreme Economic Council, on May 28 described the economic situation in the following terms, as stated by the *Torgovo-Promishlennaja Gazeta*: 'The

destruction of our country progresses in all branches of its economic life. I suppose that the present critical period cannot be characterized as merely transitory, but we may hope that everything will improve in the future course of developments. . . . The industrial machinery is thoroughly shattered, so much so that every intelligent man can say that an energetic international initiative will be necessary for its reconstruction.' The same disastrous condition of industry was described especially with reference to the Petrograd district at the sitting of the Petrograd Economic Council on April 22 by Molotoff, the president of the council. In his opening address he pointed out the following principal reasons for the destruction of Russian, and in particular of Petrograd industry: the want of fuel, the sabotage of the owners of enterprises and their higher administrative and technical staffs; but also the fact that the workmen were not equal to their task of control.

With the final victory of the left-wing Bolsheviks, which occurred about the end of May 1918, began the irrevocable abolition of private property, private industry, and private commerce. At first it was decided to nationalize all joint-stock industrial enterprises, as well as all enterprises belonging to single persons, if their capital exceeded 1,000,000 rubles. The first decrees contained clauses which held forth to the proprietors some hope of saving their property. Especially when they were invited to remain at the head of their enterprises and to conduct the management under the control of the workmen's committees, they were assured that their capital would not be confiscated and that they would be guaranteed a certain income. At the same time, however, they were strictly forbidden to make the least attempt to draw any kind of profit out of the capital resources of the enterprise. On the other hand, it was explained that the Government would finance all useful enterprises in need of floating capital. If anybody ventured to transgress the decree, he ran the risk of having his enterprise sequestered completely and without appeal.

In this manner, according to the statement of the Supreme Economic Council, 337 big enterprises were nationalized and

149 sequestered by June 1, 1918, or in all 486 of the largest metallurgical establishments, mines, electrical plants, textile mills, chemical factories, saw-mills, foundries, food factories, transport enterprises, etc. From July on the nationalization and sequestration continued even more rapidly. According to statements of the All-Russian Manufacturers' Association, by a new decree of July 28 it was decided that altogether 1,100 enterprises, with a combined capital of 3,000,000,000 rubles, were to be nationalized. These enterprises were distributed as follows :

	Number.	*Joint-stock (Rubles).*
Metal refineries	215	1,100,000,000
Textile mills	311	799,000,000
Mines	99	253,000,000
Blast-furnaces	57	205,000,000
Electrical plants	40	135,000,000
Cement factories	40	82,000,000
Sawmills	69	66,000,000
India rubber factories	5	54,000,000
Steam-mills	48	65,000,000

Pari passu with the progress of nationalization there was a rapid decline of production in all branches of industry, and finally many enterprises stopped completely. Such facts were recorded by the press as early as the beginning of December 1917. Thus the journal *Nash Viek* (which took the place of *Retch*) states in its issue of March 31 : ' Every day delegations of workmen from different industrial districts are arriving in Petrograd with complaints that for want of fuel, raw materials, and sometimes money they have been obliged to stop work in separate enterprises and even in whole groups of enterprises. This demoralization even goes so far that many of them have been compelled to sell portions of their equipment, parts of the machines, etc., in order to pay their workmen.' Delegations with such complaints arrived from the works in the well-known district Ivanovo-Voznesensk (representing 200,000 workmen) and from the Naphtha-Gas works of Baku.

In Nijni-Novgorod it was necessary to close the ship-building yard of Yakovleff & Sarpe, as well as the factories of Teplovo-

doff, Dobroff, Rabholz, Feldser, Shuvaloff, and several others engaged in the production of such important articles as steam-engines, motors, lathes, etc., some of which were quite new and of enormous value to Russian industry. Thus, while in many cases the Soviet Government might attribute the cessation of activity to the necessity of pursuing a definite policy of concentrating industry and doing away with the small establishments, in these cases the facts stood in flat contradiction to any such policy. April, May, and June of 1918 were critical months in this respect. Heated debates took place as to whether nationalization was to be complete or only partial, and as to whether it were best to postpone it to a more or less remote date. In the meantime, it was argued, the way to nationalization was being prepared through preliminary combinations organized with the object of the uniting of the riper branches of industry into trusts. But the dissolution of industry continued with great rapidity.

A new step taken by the Bolsheviks, the ruthless campaign against counter-revolution by means of an intensified activity on the part of the Extraordinary Commission, resulted in a new era of industrial destruction in Russia. The entire country was covered with a network of departments of this commission. In the villages the power of these departments was vested in committees of 'village poor', who spread panic and terror among all the peaceful citizens. Fearing excesses, many representatives of the bourgeoisie and free professions abandoned their occupations and property to fate and concealed themselves, so far as they could, from the sharp observation of the members of the Extraordinary Commission. In this way the enterprises lost their experienced directors and skilled workmen and were left to anarchy, which had already made considerable progress in all the factories and works.

Meanwhile the civil war had begun with all its horrors and disasters. During this war, which is still far from at an end (June 1920), the destruction of industrial life was carried on by the enemies of Bolshevism as well as by the Bolsheviks themselves. The Ural and Don industrial districts were

especially hard hit, but other regions, though not drawn immediately into the war, also suffered greatly. The principal cause of disorganization lay in the repeated mobilizations for the Bolshevik army, as well as for the armies of Admiral Kolchak and General Denikin. By degrees the Red Army developed into a considerable military force, well organized on the model of other European armies, strictly disciplined, and fairly well armed. It is generally agreed that the Red Army stands as one really great creation of the Bolsheviks. But we must remember that it demanded a big contingent of workmen at a time when every workman was of great importance and value for the industrial life of the country.

In press communications and in various speeches we very often come across the complaint of the Bolsheviks that it was necessary for them to send their best qualified workmen to the front. Enormous injury to the economic life arose from the fact that it was impossible not only to restore the transportation system, but even to prevent its further deterioration. But we must remember that the available means of transportation had to be used for the aims of the war, even if the result were rapid decay. The struggle against Denikin was especially injurious to Soviet Russia, since for many long months it separated the southern part of Russia from the north, with the result that the more important industrial districts, those of Petrograd, Moscow, and Nijni-Novgorod, remained without coal, petroleum, ore, cotton, etc. It is not surprising, therefore, that in the speeches and declarations of Lenine the war against the interior and the exterior enemy was charged with being an obstacle to the economic restoration of the country.

We have before us a whole array of accounts of the sittings of the Supreme Economic Council, in the monthly reports of which we find the same thing repeated over and over again, namely, 'that the period of destruction of the old capitalistic order is over and that it is necessary to begin the construction of the new socialistic order'. The declarations made by the representatives of the Soviet power are often accompanied by descriptions of the alarming state of one or another branch of

industry. One might logically expect an admission of incompetency, because even before the civil war the Soviet Government, by its vacillation in some cases and by its obstinacy in others, especially when the question concerned the 'bourgeois', had proved its inability to accomplish the big task it had undertaken, that is, the restoration of the economic life of the country. With every month, as the civil war spread over a wider and wider territory, until at last it seemed that even Petrograd and Moscow must inevitably fall into the hands of the enemy, the economic distress widened and deepened. But the end of 1919 and the beginning of 1920 brought the Bolsheviks a complete victory over the armies of Kolchak and Denikin, or rather a complete dissolution, not only of their military forces, but also of their entire political organization, which did not meet with sympathy either among the democratic intellectuals or among the broad masses. And now the Soviet Government is still trying to assure all the world that the period of destruction has passed and the time for construction has arrived.

The future will show to what extent the Bolsheviks were right in their assertion that the internal and external struggle with the enemies of Soviet Russia was the main obstacle to their work of economic reconstruction. We will attempt to give only a general summary of the results of the Soviet management in a period of two and a half years. The information we offer has also been published in the official papers (*Economitcheskaia Shisn, Izvestia Centralnago Ispolnitelnago Comiteta Sovietof rabotchikh i krestianskikh deputatof, Pravda, Economitcheskaia Shisn Severa*, etc.), and is therefore to be looked upon as very authentic.

The metallurgical industry has suffered severely. The once thriving Petrograd iron and steel industry now shows only sad remains of its former state. It is enough to say that at the beginning of 1919 there were only 12,141 workmen in all the metallurgical works of Petrograd, while it is well known that before the war the group of Petrograd's industrial works, comprising the Poutiloff, the Baltic, the Oboukhoff, and others, employed from 100,000 to 200,000 workmen. The metal

workers' union, considered the foremost organization in Russia's capital, was well known in all the important countries of western Europe. Comprising the best qualified workmen in Russia, this union also played an important part in the Russian labour movement. At the present time the Petrograd industry has dwindled down to nothing. Even the Nefsky shipbuilding yards and mechanical works are closed.

The *Economitcheskaia Shisn* regards the state of the iron and steel industry as not less critical in other districts. Well known are the Sormofsky and Kolomensky works and those in the Tula, Briansk, and Ural districts, all of which are struggling along miserably. Even the small number of factories still running are suffering from scarcity of fuel, raw materials, and labour. So far as the industry in the Ural district is concerned, Kolchak's troops subjected it to a barbarous demolition during their retreat. It is interesting to observe that the small metallurgical establishments bear the social experiments of the Bolsheviks much better than the large ones. The Bolsheviks themselves admitted this, but they nevertheless declared, immediately after the October revolution, that the small enterprises would be abolished or consolidated with the large ones.

Sugar production has suffered especially. The official Bolshevik organs are obliged to confess that the sugar industry depends on the production of sugar-beets, and the peasants opposed to the Soviet Government have apparently reduced the sowing of sugar-beets to a minimum. Recently the Bolshevik authorities charged with supervising the economic life of the country are occupied in considering how to make sugar out of sawdust.

More instructive are the figures relating to the cotton industry. In 1915 there were more than 10,000,000 spindles and about 250,000 looms in all Russia, but with the separation of Poland and Finland these numbers were considerably reduced. According to the *Economitcheskaia Shisn*, the nationalized cotton mills operate 6,900,962 spindles and 164,226 looms, and require about 18,000,000 *poods* of cotton and 14,000,000 *poods* of yarn per annum. For the first eight months of 1919, however, the

Soviet Government could obtain only 333,311 *poods* of cotton (3·7 per cent.) and 121,305 *poods* of other raw materials (4·7 per cent.). In reality only 300,000 spindles and 18,188 looms were in operation on September 1.

Considering the different regions separately, the *Economitcheskaia Shisn* gives the following details: In the Petrograd district, of 27 cotton mills only 2 were running in October 1919. In the Moscow district, the most important in all Russia, there were only 48,490 workmen employed at that time, and at the end of six months this number had fallen to 15,290. On January 1, 1920, the total number of workmen employed in the cotton industry amounted to 47·2 per cent., 34·3 per cent. men, 59·1 per cent. women, and 6·6 per cent. young persons and children. It is noteworthy that child labour has continued even under the Bolshevik régime. Since that time conditions have grown worse. The activity of the big cotton industry has nearly ceased; it continues to operate, to be sure, but rather sluggishly, and only the small and middle-sized factories are active. This again furnishes proof that the economic plans of the Soviet Government have not been successful.

Of 239 cotton-cleaning factories, only 16 per cent. were running in Soviet Russia at the beginning of 1920; and even this small number was obliged to reduce operations to a minimum on account of the scarcity of fuel. On an average they work only fifteen days a month. In consequence of this rapid fall in the output of the cotton-cleaning factories, the growing of cotton in the fields of Turkestan was strictly limited. In 1919 only 36,000 acres were sown, or 7·2 per cent. of the normal (700,000 acres). Since there are no imports from abroad, this branch of the nationalized industry is practically reduced to nothing.

A no less gloomy picture is presented by the leather industry, in which production had fallen to a low level even in 1918; but in 1919 it fell to 43 per cent. of the 1918 production. Here, too, we observe that the small and middle-sized enterprises are relatively more successful. In the india-rubber industry similar changes took place. Big enterprises of great importance

for the economic life of the country were closed on account of the rapid decrease in the number of workmen, who either emigrated to the villages or went to the front. It is enough to state that the production of galoshes fell to 8 per cent. of the normal. The paper industry fared no better. The principal source of supply was Finland, which before the war gave Russia about two-thirds of her normal requirement. With the separation of Finland conditions became very much worse, especially because Poland had also played a considerable part in the supplying of Russia with paper. In consequence of all these circumstances, not only did the printing of books cease almost entirely, but the printing of periodicals had also to be reduced to a minimum. Newspapers and journals were subjected to drastic reduction in size and bulk.

The production of matches became exceedingly low. In the north region four nationalized match factories normally employed 2,000 hands. Even by October this number had greatly diminished, because some of the workmen went back to their villages or were mobilized, with the result that production fell to 50 per cent. ot the normal. Nearly the same may be said of the other match-manufacturing districts. The production of electric lamps fell enormously. The Ives factory of Petrograd was quite closed for want of skilled workmen and technical specialists. All the Moscow factories which produce electric lamps are running, but only on paper, as in reality they have stopped for want of gas.

The mining industry in Soviet Russia was in a quite hopeless state at the end of 1919. This will easily be understood. The richest mining region, which supplies all the Russian metallurgical industry with raw materials and fuel, was under the control of Denikin until the beginning of 1920, while the Ural industrial region was in the hands of Kolchak. Thus almost to the end of 1919 the Soviet Government had under its control only the industry of Central Russia. What this means is shown by the following figures indicating the tonnage output :

	1913.	*1914.*	*1915.*	*1916.*	*1917.*	*1918.* *
South Russia .	3,102,972	2,046,313	2,740,954	2,891,781	—	—
Central Russia .	193,375	171,829	115,763	158,593	141,055	99,943
Ural . .	913.397	857.967	822.466	752.854	734.637	—

Thus the mining industry of Soviet Russia yielded only 100,000 tons, in comparison with more than 4,000,000 required by the whole of the former Russian Empire.

The Don and Ural districts returned to the control of the Bolsheviks after the dispersion of Kolchak's and Denikin's military forces. The enterprises established in the Ural district were completely destroyed, as has already been said, by the retiring army of Kolchak, so that it has proved necessary to undertake their reconstruction. The condition of the Don district also is far from favourable. Under the rule of Denikin the production of coal did not increase, but, on the contrary, quickly diminished. We present here figures given by the *Economitcheskaia Shisn* concerning the exploitation of the Bogoslofsky mines during the second half of 1919. In July they yielded 845,000 *poods*; in August, 700,000; in September, 640,106; in October, 615,083; in November, 543,542; in December, 590,226. A similar picture presents itself in other fields of production. According to the same paper, the aggregate stock of coal in the whole Don district on February 1, 1920, amounted to 90,000,000 *poods*. With regard to the Bogoslofsky mines, the paper observes that on January 1 there were no reserves left at the mines. This is also a characteristic feature: the smaller the quantity taken from the mines, the greater the proportion employed to meet their own requirements.

The general condition of the Don region, the most important centre of Russian industry, is quite clearly described by the decree of the Ukraine Economic Council dated February 20, 1920, which is worth quoting in full:

'At the sitting of the Ukraine Economic Council it was established: (1) that the majority of the Don coal districts have no administration; (2) that the stock of coal on the surface amounts to 100,000,000 *poods*; (3) that the gross production of bituminous and anthracite coal is constantly falling. In October it was 35,000,000 *poods*, in January 1920 about 18,000,000 *poods*. Half of the coal goes to satisfy the requirement of the mines themselves, so that the net production amounts to no more than 10,000,000 *poods*. And this coal is produced, not by the big enterprises, which are unprofitable,

but by the middle-sized and small nationalized enterprises; (4) the productivity of operations has decreased by 50 per cent. as compared with the Denikin period and by 75 per cent. as compared with 1917. The causes of the continued fall of production are: the decrease in the number of hands from 250,000 in 1917 to 80,000 at the present time; the lack of boots and clothes; the lack of technical specialists, whose number has diminished by 50 per cent. in comparison with the Denikin period; the lack of machinery and grease; the lack of money, etc. The transport of coal is suffering from want of horses and carts to bring coal to the railway stations, as well as from shortage of hands and lack of organized railway service.'

To complete the description of the general state of industry in Soviet Russia on January 1, 1920, we may quote some statements and comments taken from the report of Rykoff, President of the Supreme Economic Council. Of 1,191 metallurgical enterprises, he says, 614 were nationalized. All the enterprises together were authorized to procure a supply of 40,000,000 *poods* of ore in 1919, but in fact only half of this quantity was procured. According to Rykoff's calculations, these 20,000,000 *poods* constituted 15 per cent. of the needs of the Russian metallurgical establishments. All the metal stock at the disposal of the Soviet Government during the past year consisted of 25,000,000 *poods* of iron and steel, some 5,000,000 *poods* of other metals, 3,000,000 *poods* of nails, and about 3,000,000 *poods* of other articles. The production of machinery amounted to only 30 per cent. of the 1913 production. The production of agricultural implements ranged from 43 per cent. of the 1913 production for ploughs, 26 per cent. for harrows, and 20 per cent. for threshing-machines.

'The figures 30–40 per cent. (of the 1913 production)', says Rykoff, 'constantly recur in the chief branches of industry. This means that Soviet Russia, so far as the supply of boots and shoes, clothes, metals, agricultural products, etc., is concerned, meets only one-third of the country's peace time requirements. This may continue a year or two, and in the meantime we shall use the reserves; we will consume what is

left from previous periods. But these reserves are rapidly becoming exhausted, and every day, every hour, we are drawing nearer to a complete crisis in these branches of industry.'

In his discussion of the textile industry Rykoff paints an even gloomier picture:

'If you take the production of our nationalized textile mills, you will get only 10 per cent. of the whole 1913 production. . . . In January–March 1919 Soviet Russia produced 100,000–200,000 *poods* of woven articles in one month, but in September–November only 25,000–68,000 *poods*. This means that our textile industry in the central district has almost ceased operations; and this district formerly occupied first place in all Russia's textile industry, third place after England and Germany.'

Finally, Rykoff had to confess that the conditions were better for the middle-sized and small establishments. This means that enterprises which are not nationalized work better than those under government control. The opinion given by the president of the Supreme Economic Council on the experiment of creating new forms of production different from the forms employed by private capital, may profitably be reviewed in connexion with the figures we have presented concerning the state of industry in Soviet Russia.

The Labour Question

The Soviet Government, established in the name of the workmen and peasants and founded on the principle of the dictatorship of the proletariat, was naturally under obligation to introduce radical changes in the political, social, and economic order. And, indeed, the first decrees of the Bolshevik authorities hastened to proclaim these changes. The entire administration of the State was entrusted to workmen's, peasants', and soldiers' deputies. The supreme legislative power was vested in the Council of Workmen's, Peasants', and Soldiers' Deputies, and the supreme executive power in the Central Executive Committee. At the head of these was the Council of People's Commissioners, with Lenine as President.

Much has been said about the political nature of this power. The fact is that the Bolsheviks, before the October revolution, agitated in favour of a Constitutional Assembly. When they came into power, however, they dispersed the Assembly on the day of its first sitting; and from that day they have persistently refused to convene any assembly representing the people as a whole.

After the publication of the general 'Declaration concerning the Rights of the Toiling and Exploited People' (i. e. the rights of the workmen and peasants) there followed a series of economic decrees defining the conditions under which the working classes should live. On November 1, 1917, the Council of Commissioners issued a detailed decree establishing the eight-hour day and satisfying all the known demands of the organized socialistic workmen concerning rest, night-work, etc. This, in turn, was followed by a series of decrees, orders, and regulations concerning wages, inspection to secure the execution of all rules insuring the interests of the workmen, sickness insurance, old-age pensions, invalid allowances, etc.

On November 19, 1917, Shiliapnikoff, the Commissioner of Labour, published a law relating to unemployment insurance, whereby the employer (i. e. the owner of the enterprise or the State) was to pay 5 per cent., and the workman 3 per cent. of his wages. The law further guaranteed to unemployed workers a subsidy sufficient to ward off want. But very soon after its publication it became clear that the law was exerting a demoralizing influence among the working classes. Moreover, another decree abolishing piece-work and fixing uniform wages worked similarly toward demoralization. The general result was a further falling off of production, which was already undergoing a rapid decline in consequence of lack of fuel and raw materials.

In labour circles the seizure of power by the Bolsheviks soon ceased to be looked upon as an advantage. The desire to work, which had disappeared after the February revolution, did not return, and the Bolshevik appeals and exhortations, which soon acquired the character of reproaches and accusations, made no impression on the idle workmen. Nor did the policy

of nationalization call forth any outburst of enthusiasm for work. On the whole, conditions were not bettered in the least. The workmen, who were either unable or unwilling to understand that conditions had changed, remained quite indifferent, even though Lenine called them loafers, criminals, and even traitors. But even the threat to deprive them of their rights as citizens failed to move them. The indifference was in no small measure due to the failure of the Soviet Government to organize conditions in such a way as to provide the people with the necessaries of life. The workmen no longer went regularly to work, but preferred to spend their time hunting for food, which was now becoming more and more scarce and more and more expensive. They began to emigrate to the villages or to enlist in the town militias and later on in the Red Army, which from the very first was guaranteed sufficient food and clothing.

The incessant demands of the workmen in almost all industries were based on a desire to turn the revolution to account in effecting a real improvement of labour conditions; but as these demands were accompanied by an acute and increasing scarcity, they quickly led to a grave crisis in the economic life of the country. In vain the management protested against the exorbitant demands of the workers; and even when the Soviet Government recognized these demands as well founded, it was unable to suppress them. Besides, it must be remembered that not only the workmen employed by private enterprises, but even those employed by the Government, as for instance, the railway employees, presented demands for higher wages and for an adequate supply of all necessary articles of use.

Thus events quickly led to an aggravation of the distress of the workmen, especially in the large industrial centres which were entirely dependent on supplies brought from a distance. In one of his speeches Lenine bitterly reproached the workmen for their failure to understand that they were harming their own interests. Formerly, he said, when they had to work for extortioners 'under the knout', they had shown much more energy than now when they were working entirely for themselves. Similar reproaches, moreover, were addressed to the

workmen by other prominent Bolsheviks, who bemoaned the fact that the Government had had to come to the relief of industry with large grants, which were used principally for the payment of wages.

The fact that the labour problem was no nearer solution even after the power had been transferred to a government which proposed exclusively to serve the interests of the working classes was one of the severest disappointments with which the Bolsheviks met. We need not discuss the political opposition that emanated from considerable groups of workmen employed in the largest factories of Petrograd. What was far more serious was the fact that the Bolsheviks were forced to adjust themselves even to such a bourgeois-capitalistic expedient as the strike. In their struggle against strikes the Bolsheviks did not shrink from any measures, however severe, not even from executions. The principal evil of the labour situation, as confessed by the Bolsheviks themselves, lay in the complete lack of discipline in the ranks of the workmen. In the above-mentioned order of the president of the Supreme Economic Council we find the following remarkable phrase: 'It is necessary that the workmen should observe the same severe discipline in the performance of their work as during the defence of Moscow and Petrograd. Idlers and egotists should be subject to the same prosecution as the members of the White Army.'

Inasmuch as neither threats nor punishments could force the workmen to increase production, the Bolsheviks were compelled to have recourse to other measures of the same character as those employed in any capitalistic state at the present time. Thus the Commissariat of Traffic introduced a method of individual payment for all classes of officials and workmen, whereby the amount of a man's compensation was made to depend on the quality of his work as determined by a special commission. Further, the full meeting of the Central Committee of the Metal Workers' Union charged the directors to introduce a system of premiums instead of wages, for which purpose they worked out a schedule of special tariffs, adopting

scientific methods for determining the normal qualifications of the workmen. In the paper industry, where this system was introduced, it had the effect of increasing production 300 per cent. The system was also introduced on the ships of the Maria canal system, where the premium consisted of bread. In the Podolian Government locomotive repair shops the following system was introduced: The normal production was placed at 25 per cent. of the pre-war production. The workman who performed his work within a fixed period was to receive 20 per cent. above the tariff, whereas the workman who failed to do so was to receive only two-thirds of the tariff. For workmen who performed their work in half the time specified, the premium rose to 100 per cent. of the tariff.

A similar premium system has been introduced in the Kostromskoi works, where the normal time for the performance of a particular task is determined by means of a secundometer. The results of the premium system on the Moscow street railways are peculiar. There a premium is awarded to the workmen who have reported for work on more than twelve days of the month. Of 1,000 conductors, 768 (76·8 per cent.) came to work no less than twelve days, and 20 per cent. of these received premiums ranging from 25 to 500 rubles. Of 1,100 motormen only 260 (26 per cent.) worked as many as twelve days; but of these only 32 (3 per cent of the whole number) received the premium.

These examples illustrate difficulties with which the Soviet Government had to contend in its efforts to restore working discipline, which it recognized as one of the prime essentials for the economic reconstruction of Russia. But neither the premium system, nor the energetic agitation for increased efficiency carried on in the ranks of the workmen by the adherents of Bolshevism, brought the slightest apparent improvement in the situation. By degrees the Bolshevik leaders came to the conclusion that they could not accomplish their purpose without recourse to compulsory measures. While the Soviet Government was considering various projects for increasing production, other organizations were being formed to accomplish

the same purpose. Numerous committees were created to carry on a campaign against the various forms of shirking, and among them the Moscow Committee for the Campaign against Mass Shirking deserves special mention. This committee, the very name of which is interesting, dealt very severely with the shirkers. For example, it decided to reduce the wages of men found guilty of shirking; and if any man failed twice in the course of one month to come to his work, the directors of the enterprise were instructed to discharge him and report his name to the Commissariat of Labour. If the shirking had been engaged in by masses of workmen, such action was to be regarded as 'vicious sabotage' and the offenders were to be reported to the administration for arrest and detention in a concentration camp for compulsory labour.

Step by step the dictatorship *of* the proletariat became a dictatorship *over* the proletariat. This became more and more apparent when the government authorities began to consider the idea of attaching the workmen to definite regions or even to definite factories. All these measures were rendered necessary by the fact that the workmen of Soviet Russia had become a nomadic people, due chiefly to the difficulty of procuring food. The workmen gravitate to the points where they can more easily get food and, in the winter, fuel. Even when the workman is for any reason unable to leave his place of residence permanently, every now and then he is compelled to go to the village or to some distant province for bread and other supplies. All this helps to explain the fact, indicated above, that a workman reporting for work on as many as twelve days in the month is a rare phenomenon. To counteract the evil of emigration somewhat, the Soviet Government had recourse to a system of paying higher wages in places where prices were higher, e. g. in Petrograd.

But neither this measure nor a number of others intended to stabilize the labour market, such as the placing of obstacles in the way of receiving permission to travel by rail, proved effective in keeping the workmen where they could be most useful to the country. In dealing with organized opposition,

on the other hand, the Soviet Government is ruthlessly efficient. Having eliminated every sign of independence and initiative on the part of the trade unions, it treats them in the same manner as it treats the co-operative societies, which had enjoyed special privileges even in the time of the Tsar. Accordingly, on a motion of Trotsky, the Commissioner of War, the Government resolved to bind the workmen to the places where it was considered necessary for them to live.

Further on we shall refer to the manner in which the Soviet Government decided the question of fixing the workmen's residence. At this point we wish to describe, in the Bolsheviks' own words, one of the distressing aspects of the state of Russian industry, namely, the disorganization of labour. 'As far as manufacturing industry is concerned, the labour crisis is of special significance. Even in those branches which supply our army we are always in difficulties on account of the lack of qualified workmen. Sometimes for weeks, even for months, we have lacked the requisite number of qualified factory workers to supply our troops with the rifles, machine-guns, and artillery needed to save Moscow. One of the most dangerous aspects of our present economic life is the waste of one of our most valuable productive assets, that is, the living, skilled, qualified working-power.'

Tomsky, the president of the central council of the trade unions, said at the sitting of the Congress of Economic Councils: 'What has become of the working-power of the industrial proletariat? Only a part of our industry is at work, but there is nevertheless a shortage of labour in the towns and in the industrial centres. We see the ebbing of working-power in our industrial centres in consequence of unsatisfactory living conditions. Hundreds of those qualified workmen who are now wanted for the simplest and most elementary operations of industry have gone to the villages to join the working communes, the Soviet farms and other farming enterprises; and part of them, perhaps the greater part, are to be found in the army. But the proletariat, to our misfortune, to our dishonour, also leaves us to devote itself to speculation and bartering

trade. . . . There is also another condition which injures our industry and interferes with our planned organization of work, and that is the nomadic life led by the workmen in their search for better living conditions.' Almost the same thoughts were expressed by Trotsky, who said: 'Lack of food and shelter are driving the workmen from the industrial centres to the villages; and not only to the villages, but also into the ranks of the speculators and parasites.'

As early as 1918 the Soviet Government undertook to determine the reasons for the decline in the productivity of labour. A special commission, appointed to examine the state of affairs in a whole series of large enterprises, came to the conclusion that the efficiency of labour amounted to only 36 per cent. The causes of this decline, it was stated, were as follows: In 44 per cent. of the cases, it was due to the inadequate nutrition of the workmen; in 21 per cent., to the decay of discipline; in 19 per cent., to the introduction of wages by the day in place of piece-work; in 10 per cent., to deterioration of machines and raw materials; in 6 per cent., finally, to defects in the organization of labour.

Thereupon the Soviet Government came to the wholly unexpected conclusion that a restoration of production demanded the militarization of labour. This plan, as noted above, had been proposed by Trotsky, and according to the Bolshevik press it was received with full sympathy, even with enthusiasm, by the working people and their leaders. Having been carefully elaborated by Trotsky, Lenine, and others, it was supported by a cumulation of hypotheses reminding one of a jesuit argumentation.

Krassin, the present Commissioner of Industry and Traffic, who was charged by the Soviet Government with the task of re-establishing Russia's foreign trade after the raising of the blockade, did not resort to subtleties for the support of his belief in the necessity of these or other measures. He did not hesitate to voice severe criticism of the system of workmen's control, to acknowledge the insufficiency of the eight-hour day under the existing conditions and to condemn the senseless and

criminal prosecution of specialists. Krassin introduced the principle of dictatorship in every enterprise and in so doing showed himself extremely hard and ruthless, especially when he was entrusted with the re-establishment of railway transport.

But even the measures carried through by Krassin came too late. The results of his energetic efforts were of absolutely no importance in comparison with what needed to be done. After the collective will, as represented by the workmen's committees, had been removed from industry, to be replaced by private initiative and discipline, there remained only the one further step to be taken, namely, the transformation of a considerable part of the army, which had become superflous after the defeat of Denikin and Kolchak, into a working army. The principal aim was to compel the workmen, as members of this army, to exhibit the highest degree of productivity under a rigid military discipline.

All the parts of the army changed into the working army retain their original organization. They are divided into different military formations, quite definitely connected with another, and the strictest military discipline is maintained with severe penalties for acts of insubordination. The members of the working army are obliged to do everything they are ordered to do by the authorities, who assign certain tasks to whole companies, battalions, regiments, etc. Moreover, they are given a certain time in which to finish the task they are called upon to perform. The Government, on its part, merely undertakes to guarantee the soldiers and other members of the working army all the necessaries of life, i. e. food, clothing, etc., in the same quantities as for the members of an army organized on a military basis.

According to Bolshevik newspapers, the Soviet Government has formed four working armies: A Ukraine army for the Don district, a Siberian, a Petrograd, and a reserve army. To illustrate the character and activity of these armies, we will reproduce some items from Lenine's decree concerning the Petrograd army. (1) The Seventh Army, which defended Petrograd, is to be converted into a working army. Considerable

parts of it will be selected for military service on the frontiers of Finland and Esthonia. It is to be called the Petrograd Revolutionary Working Army. (2) The region of operation of the army is the present Petrograd region. (3) The Petrograd Working Army has the right to call up all organizations in its territory in order to accomplish its tasks. (4) The Seventh Army will in the first place be called upon to perform the following tasks: the cutting of peat and combustible lignite, the transport of wood, the transport of fuel for the Petrograd factories and railway stations, the loading and unloading of these materials, the organization of transport by carts, the transformation of all suitable but uncultivated allotments of land into kitchen gardens, the widespread organization of potato cultivation, work in the economic councils, quick repairment of rolling stock, the unloading of all timber and food arriving in Petrograd, the repair of agricultural implements, the performance of different kinds of rural work, help in the preparation of the soil, the gathering of the harvests, etc., the maintenance of discipline and the furnishing of hands to the factories. (5) The revolutionary council of the army is its leader. (6) In all questions of internal military organization, depending on the rules of discipline and other military rules, the word of command belongs to the War Council, which also decides every question concerning the inner life of the army and its transformation in connexion with its economic activity.

This decree on the formation of the Petrograd Working Army was in line with Trotsky's project for the militarization of labour. This project, which included twenty-eight theses, was discussed in the Seventh Congress of Councils of Workmen's and Peasants' Deputies, in the Supreme Economic Council, in the All-Russian Economic Congress, and in the Ninth Congress of the Communistic Party. The latter was of the greatest importance in the execution of the militarization project. It is well known that all power in Soviet Russia is in the hands of the communistic party, the membership of which includes Lenine, Trotsky, Larin, Bukharin, Zinovieff, Litvinoff, and all the other influential Bolsheviks. In spite of energetic propaganda for

the procurement of new members, however, the party numbers only 600,000, according to the statements of the central committee at the annual sitting in April of this year.

In urging the adoption of the project Trotsky declared: 'The militarization of labour does not under any condition mean a curtailment of personal liberty. Freedom of labour in bourgeois states always leads to the exploitation of workmen. The Soviet Government is already preparing the mobilization of the workmen, and the entire military administration will be called to economic work. The population of eacb district will be regarded as a trade union, as a single unit of the army. . . . If the workmen will dedicate all their energy, all their thought and revolutionary enthusiasm, to the economic task in the same way as they have dedicated themselves to the defence of the Republic, Russia will occupy a splendid position, which will astonish its enemies and delight its friends.'

At the general meeting of the economic councils Lenine declared: 'In regard to the national economy we must act as we do in regard to the army. The principle of collective control must make way for individual control; the evolution of our national economy demands it. The collective management of industry by means of all kinds of councils puts a drag on the work, and we must therefore act with energy and zeal to diminish the functions and the power of the factory committees.' Then, according to the Bolshevik newspapers, Trotsky proposed the following resolution: 'The eight-hour day must give place to the ten- or twelve-hour day. The universal obligation to work must be conscientiously performed by all inhabitants.'

The agitation in favour of the militarization of labour against which all the other socialistic parties of Russia protested in vain, resulted in an approval of the project by the Congress of the Councils of Peoples' Commissioners, which also resolved that the inspectors of factories should be appointed by the Soviet Government and not chosen by the local councils. As usual, the new measures for the economic rehabilitation of the country are received with loud approval by the Bolshevik

papers, which prophesy a new era of prosperity, and the Russian propaganda wireless gives the whole world to understand that Soviet Russia has accepted this decision. 'Obligatory work for everybody,' says the wireless. 'This is our aim: the creation of a working army of many millions. Every kind of work is now a divine obligation resting upon every citizen. A deserter from the ranks kills children and increases famine and sickness.' The Soviet Government has established a committee for obligatory work charged with the task of everywhere introducing this new obligation to work and leading all people to the construction of the new future, to the struggle against poverty, etc. There is no lack of arguments in favour of the plan on the part of the communistic idealists, who see in obligatory work the only possible way toward the realization of communism as a form of social order.

The Agrarian Question

The Bolsheviks were no more successful in their efforts to solve the agrarian question. To Lenine himself, who with good reason is regarded as an expert on agrarian questions, this failure was an especially severe disappointment. In an excellent monograph which he published in Russia in 1907, 'The Agrarian Question in Russia at the End of the Nineteenth Century', he came to the conclusion that the agrarian question in Russia could be solved only after a process of industrializing agriculture, which would involve the concentration of lands in the hands of capitalist landowners and the proletarization of the broad peasant masses. This movement was in progress at the end of the nineteenth century, and Lenine elucidated it in a whole series of well elaborated statistical tables showing the growth of the middle-sized and large peasant holdings at the expense partly of the large holdings and partly of the small peasant allotments.

The revolution sharply changed his views regarding the matter. It is well known that only one of the Russian socialistic parties, that is, the social-revolutionary party, held to the view that the revolution, with the transfer of all land into the hands

of the peasants, must also transform the peasant commune into a socialistic order. The starting-point of social-revolutionary theory in Russia was that the peasantry constituted 80 per cent. of the population, and that the improvement of their condition could be effected only through an immediate socialization of agriculture. The elections for the Constitutional Assembly—later dispersed by the Bolsheviks—gave a complete victory to the social-revolutionary party. It is impossible to say whether this party would have succeeded in realizing its programme, but there is no doubt that the carrying out of this agrarian policy would have required great care and ability, not to mention confidence on the part of the peasants, who in Russia are on a very low cultural standard. As to the Bolsheviks, who came upon the scene with the same cry—'All land for the workers'—from the outset they encountered implacable opposition on the part of the peasants.

Even before the February revolution the peasants, partly by instinct, partly by experience as food producers, had become convinced of the advantage of their position as compared with that of the consumers in the towns. From the very first the attempts of the Imperial Government to fix maximum prices on farm products had aroused open discontent among the peasants. Corn and other products immediately disappeared from the market in the places where the local authorities tried to fix prices. After the revolution the peasants, having seized the large estates, did not lose their distrust of governmental authority. The first Revolutionary Government, that of Prince Lvoff, as well as the following Government of Kerensky, had no time to work out a definite agricultural policy, with the result that civil disorder continued as a heavy legacy from the recently crushed imperial régime. The policy of food control remained all the more uncertain, because the Revolutionary Government, after the first weeks of celebration over the victory of revolution, wavered helplessly between the Scylla of peace and the Charybdis of war. But the front continued to be the front, although almost completely disorganized, and

the Government was forced to have recourse to the system of requisitions and fixed prices, hateful as it was to the producers.

Having seized the power of government, the Bolsheviks, as is well known, abolished all freedom of trade and inaugurated a severe policy of fixed prices on all necessary articles of consumption. The peasants retaliated by refusing to sell their produce, whereupon the Soviet Government began its systematic campaign against the villages, which continued for about two years and ended with the complete defeat of the Bolsheviks. Detachments of Red soldiers, consisting mainly of town workmen, rushed blindly into the villages and proceeded to execute wholesale requisitions and death penalties. After a time the peasants were thrown into a state of grave ferment, which was energetically supported by the members of the social-revolutionary party. At the beginning even the left wing of this party had concluded an agreement with the Bolsheviks, and its reward was that some of its adherents were made commissioners; but after the Brest-Litovsk Peace it went over to the opposition, and this led to a strong peasant agitation against the Soviet Government. The movement soon became violent, and the Bolshevik newspapers began to be filled with accounts of bloody conflicts between the peasants and the detachments of troops sent out to punish them.

In many cases neighbouring villages united in an organized campaign against the Bolshevik power. This campaign developed with peculiar intensity after the commencement of the civil war and its extension to the villages, the inhabitants of which, according to Lenine, were divided into 'village poor' and 'fists'. It is not our task to dwell on the details of this struggle. We will merely point out that after a struggle of more than eighteen months the Soviet Government was obliged to yield.. Lenine thought it wiser to acknowledge that the sharp division of the village population into the two above-mentioned groups was not correct, and explained that there was still a third or middle group of peasants in the villages, i. e. peasants who were not poor, but who at the same time could under no circumstances be placed in the category of 'fists'.

In reality, however, this acknowledgement hardly changed the situation. The villages continued their opposition to the Soviet Government, but exclusively for economic reasons, and the peasants did not alter their attitude toward fixed prices. Besides, they were not at all pleased that the Government should act as mediator between them and the consumers and at the same time exercise control over their produce. The peasants were given no small amount of trouble by the so-called 'poor committees', the members of which, many of them recruited from the worst village elements, very often played the part of informers and traitors. In this state of affairs it is not surprising that the Bolshevik rule resulted in a considerable disruption of agriculture. During two and a half years of Bolshevik rule the peasants systematically diminished their produce, partly by intent, partly because they were unable to protect their property from further destruction.

The Bolsheviks had ruined industry, the output of which, according to their own confession, was reduced to only 30–35 per cent. of the normal, and in reality to scarcely 25 per cent. This made it all the more inevitable that they should appear in the rôle of expropriators, since in appropriating the produce of the peasants they could pay for only an insufficient part of the industrial products which the peasants required. Even in the case of peasants who produce more than they themselves consume, they conceal the surplus to exchange it for the most necessary things they require. There are many evidences that the peasants have large supplies of corn hidden in holes dug especially for that purpose, and to that extent the Bolsheviks are perhaps justified in their charge of anti-social behaviour. In any case the fact remains that the peasants do not evince the least desire to give up their produce to the Soviet Government on the conditions stipulated by it.

In the summer of 1919 the Soviet Government, convinced of the futility of continuing the struggle against the peasants, who did not shrink from organized revolt, resolved completely to change its policy towards the villages. Just at this time Sverdloff, the President of the Central Executive Committee,

died of typhoid fever. On the proposal of Lenine there was nominated as his successor a peasant workman by the name of Kalinin, who had not broken his connexion with the village, and who, after his election, immediately began an inspection of villages throughout a large number of provinces. This was a marked demonstration on the part of the new Soviet Government of a new friendly attitude toward the peasants. Kalinin had long discussions in different places, listened to complaints, demands, opinions and suggestions, examined living conditions, etc., and the result of his tour was an official report setting forth the character of the agrarian question at that time. From this report we see that no improvement in the economic condition of the peasants had come out of the revolution ; on the contrary, it had grown considerably worse. Evidences of this were to be seen everywhere, in the peasants' huts, in the condition of their live stock and dead stock, etc. The peasants, in fact, were in need of everything, from simple nails to the most complicated agricultural machinery. But what had astonished Kalinin most of all was the fact that the Bolshevik commissioners had shown themselves much less considerate of the needs of the peasants, e. g. in matters concerning public forests, than the former officials of the Tsar.

To make this clearer, we must recall the fact that the revolutionary seizure of land belonging to large owners and to the State was not accompanied by regulating and organizing land laws. Although at the very beginning land committees had been formed in the different places, it was not possible to escape the awful chaos and confusion even where there had been no abuses on the part of committee members. Having come into power, the Bolsheviks intended to establish the communistic order in the villages; but from the very outset they met with difficulties arising from the fact that they acted according to theory and did not understand the realities ; or rather, from the fact that they tried to found a new order based on theory without the co-operation of men possessed of expert knowledge and practical experience.

The result was that agriculture began to fall off immensely.

According to pre-revolutionary statistics, the estates of the large owners formerly produced about 50 per cent. more than the peasant allotments. The reason for this is obvious: a small farm is less well equipped and less expertly managed than a large farm. When the large estates fell into the hands of the peasants, accordingly, they lost their former advantages, because the new owners were for the most part ignorant and untrained men. The Government had taken upon itself to supply the farmers with everything they needed for the cultivation of their allotments, but it was able to supply only a very small part of what they needed. Thus the Bolshevik rule resulted in a deterioration of even the most primitive farming methods to be found in Russia.

It is unfortunate that there are no statistics to elucidate the agricultural situation in Soviet Russia. Russian statistics were notoriously unreliable even during the rule of the Tsar, and at present there are no statistics at all for the simple reason that the peasants conceal absolutely everything from the Bolshevik authorities. In order to form an approximate idea of the situation, therefore, we are obliged to rely upon indirect data and inference.

Even in 1918 the harvest was far from satisfactory. In the Petrograd district, for instance, the corn supply was exhausted as early as March 1919, and from that time on even the peasants suffered from famine. The Rostoff newspaper *Zaria* describes the situation in Soviet Russia in 1919 as follows: 'According to official figures obtained from the Soviet Government, the organs for the distribution of food had to have 260,100,000 *poods* of grain at their disposal in order to satisfy the minimum requirements, but they managed to get only about 110,000,000 *poods*. For the year 1919 the Government had decreed a minimum of 296,400,000 *poods* of bread for distribution, while the harvest, according to all appearances, was even worse than that of 1918. In consequence of Kolchak's and Denikin's military successes, Soviet Russia was cut off from the corn districts in Siberia and south Russia. Svidersky, a member of the food commission, after a tour through several provinces in

1919, informed the Soviet Government that he had received the impression that the feeling toward the Soviet power had become more antagonistic in many of the large and small villages. In the course of 1919 communications were from time to time received from the local commissioners to the effect that the peasants refused to deliver their produce except in exchange for industrial products.'

The defeat of Kolchak and Denikin undoubtedly helped to improve the food situation in Soviet Russia. Thus, according to a report submitted to the Central Executive Committee of the Councils of Workmen's and Peasants' Deputies on February 5, 1920, the corn supply on February 1, 1920, amounted to 108,000,000 *poods*, not counting the Siberian supplies, which were not yet estimated. It was calculated that there was a sufficient supply of corn for the first six weeks, and a sufficient supply of oats for more than two months. Compared with the 74,000,000 *poods* of corn available on February 1, 1919, the increase amounted to about 50 per cent.

As regards oil-seed, on the other hand, there were available 14,000,000 *poods* on February 1, 1919, as compared with only 2,000,000 *poods* in the present year. This was one of the consequences of Denikin's invasion. Thus the province of Saratoff, for instance, produced 750,000 instead of 4,500,000 *poods* in 1919, while the province of Tamboff produced 169,000 instead of 1,000,000 *poods*. The report emphasizes, however, that the harvest of 1919 was a failure.

After the election of the President of the Central Executive Committee, the Soviet Government acknowledged the ownership by the peasants of their allotments; but until then it had not undertaken to solve the question of an equitable distribution of land, evidently from fear of new armed conflicts. It did, indeed, try to create communistic farms and experimental or model farms on the lands that remained in its hands. So far as the communistic farms are concerned, they have met with failure one after another. The peasants who have installed them were formerly landless town labourers, and for the most part they have failed to form a correct understanding of the

principles of communism and are rather hostile to it. According to all reports, these experiments were, and still are, rather expensive. The same applies to the model farms. In the province Looga (near Petrograd), for instance, we know of a model farm with eighty fine cows and other cattle, as well as an excellent equipment of agricultural implements. In the course of a single season this farm lost three-quarters of its cattle stock, and almost all of its agricultural implements were more or less injured. Finally, it not only failed to yield a profit, but, on the contrary, required 2,500,000 rubles over and above its earnings for the maintenance of its staff of officials and labourers. The same or similar facts are reported from other model farms.

Now, after the raising of the blockade, the Bolsheviks inform us even more candidly that Russian agriculture, always the foundation of the country's economic life, is in a very critical condition. The peasants, they declare, have worn out all their implements and have lost a large part of their livestock. Besides not being able to obtain necessary articles of consumption in exchange for their produce, they show no inclination to produce more than they themselves require. In general, according to official statistics of the Soviet Government, the food supply of Soviet Russia on February 1, 1920, amounted to 34,000,000 *poods* of corn, 10,000,000 of oats, 7,000,000 of potatoes, 7,000,000 of hay, and slightly more than 100,000 of dried vegetables.

TRANSPORT

In this tragic state of agriculture and industry, in this terribly disorganized economic life, transportation nevertheless stood out as signally chaotic. It is true that the Bolsheviks received a wretched legacy from the former imperial régime in the form of an incredibly worn out railway equipment and a completely demoralized staff of railway officials and workmen. During the February revolution the notorious All-Russian Executive Committee of Railway Officers and Workmen had assumed dictatorial power, against which the efforts of Lvoff and Kerensky to establish a somewhat regular railway traffic were quite in vain. After the revolution this committee acquired great influence and authority for the reason that its

leaders were either Bolsheviks or sympathizers with Bolshevism. One might have supposed that the railway union, after the Bolsheviks came into power, would support the Soviet Government. But this was not the case; the Soviet Government, as a matter of fact, had to overcome vigorous opposition created by it. The result of the Government's victory was the placing of dictatorial power over the railways in the hands of the engineer Krassin, who immediately declared merciless war against all committees and unions of railway officials and workmen. Strict discipline was established, working hours were increased, and severe penalties were prescribed for all transgressions of the orders of the higher railway administration. In short, the same régime was instituted as existed in the days of the Tsar.

On the state of the railway transport the president of the Supreme Economic Council has expressed himself as follows: 'Before the war the proportion of "laid up" engines did not exceed 15 per cent. at the most; at the present time it amounts to 59·5 per cent. That is to say, of every 100 engines in Soviet Russia only 40 are in working order. The repairing of broken-down engines is also falling off very rapidly. Before the war we repaired 8 per cent.; some time after the October revolution this proportion fell to 1 per cent. At present the repair of our railway equipment does not keep pace with its depreciation, and every month we find ourselves with some 200 fewer engines than in the preceding month. If we are to check the further deterioration of our railways, it is necessary for us to increase the repairing of engines from 2 per cent. to 10 per cent. For the great mass of people this means that we cannot benefit fully by those supplies of corn, fuel, and raw materials produced in regions which have been joined to Soviet Russia in consequence of the victories of the Red Army.'

To illustrate these conditions, Rykoff offers two examples: 'For the transportation of metals from the Ural district, we can make use of only one train a month, at which rate it would take scores of years to transport 10,000,000 *poods* of metal. Further, for communication with Turkestan, where we have a reserve of 8,000,000 *poods* of cotton, at the present time we

can make use of only two trains a month. Accordingly, scores of years would be required for the transport of this quantity of cotton to the Moscow textile mills.' Rykoff adds that even in regard to the raw materials belonging especially to Soviet Russia, such as flax, wool, hemp, and leather, the country is passing through an acute crisis on account of the disorganization of transport. The same condition results in a grave food crisis and an equally grave fuel crisis. All efforts to improve the supplying of the town inhabitants with food and fuel, even in limited quantities, have proved futile. Transportation diminishes every day, every hour, and through a widespread agitation, and even more through different tempting promises, such as increased wages, the offer of premiums, extra rations, etc., the railway administration has succeeded in bringing about little or no improvement in the situation.

The official Bolshevik statements contain the following figures bearing upon the condition of transport: At the disposal of all the freight, war, and sanitary transport service in the first half of February there were on all the lines (including Siberia, Ukraine, Don, but excluding Turkestan) 2,775 undamaged engines. In Turkestan there are 300 additional engines, of which 100 are expected in Russia in the spring. According to statements in the Petrograd *Izvestia*, there were built in all the large railway factories (Sormofsky, Kolomensky, Koolibansky, Mitishinsky, Kharkofsky, Briansky, and others) 49 ordinary engines, 19 military engines, 27 armoured engines, 77 passenger cars, 1,119 freight cars, 450 trollies, 125 tank-cars, 1 water tank. Besides, 80 ordinary engines, 12 armoured engines, 141 passenger cars, 1,600 baggage cars, and 26 armoured cars were repaired. Summing up these figures, the organ of the Petrograd Council of Workmen's Deputies is obliged to confess that the results are decidedly discouraging.

The interior water transport is in a similar condition. The Soviet Government candidly confesses, 'that the fleet is in a state of complete ruin.' In the season of 1919 only 18 per cent. of the vessels of the Maria canal system were fit for navigation. The Volga river, which always was the most active waterway, was served by only one passenger line instead of seven. Pas-

senger traffic between Ribinsk and Nijni-Novgorod was maintained by one little steamer, which made the trip only once a week. This will suffice to give a clear comprehension of the steamer traffic on the best Russian waterway. As to tugboats, they have disappeared into the realm of tradition; in 1919 the sight of a tugboat towing one or two barges up or down the river was extraordinary.

The entire fleet, passenger boats and cargo boats, steamers, sailboats and barges, presents a picture of complete ruin. The steamer traffic has of course been nationalized, and is carried on by people without any special knowledge and quite without economy. After each season a huge deficit is reported. Thus the large fleet of oil-steamers was not secured before the winter of 1918, but was allowed to lie at anchor in the middle of the Volga. In spring, when the ice broke up, the vessels were all crushed and went down. After the season of 1919 innumerable steamers and vessels were to be seen afloat on the Volga, Dniepr, Neva, Kama, etc., but all were crushed by the ice. The wooden ships were broken up for fuel during the winter. Finally, many vessels sank in the Volga basin, especially on the Kama and in the basin of the Dniestr.

Food Supply

This question has in effect been sufficiently discussed in the preceding pages. But we think it may be worth while to consider it in somewhat greater detail for the sake of the light which it throws on the Bolshevik rule in general. The food situation had almost reached the stage of a serious crisis even before the first revolution. The direct reason for the overthrow of the imperial régime was the appearance of famine, and neither the government of Lvoff nor that of Kerensky was able to bring about the least improvement in the food supply. The criticism of the Bolshevik press and the Bolshevik leaders, directed against the first two revolutionary governments for their failure to improve the food supply of the capital and other large towns, was not without foundation. This failure was not due entirely to incapacity or insufficient energy on the part of those governments, for immediately

after the first revolution the reorganization of the food supply was entrusted to persons of the highest authority who enjoyed the complete confidence of the public. The principal obstacle to the carrying through of their plans was the so-called ' deepening of the revolution ', i. e. the endless progress of dissolution and disorganization.

The railway union was one of the principal factors in the furtherance of the dissolution. When the Bolsheviks seized the power, they were not able to check the deepening of the revolution, although they themselves had helped to direct it. They did not succeed in subjecting the mighty and dangerous railway union to their authority, and finally even the leaders of the union lost their power over the enormous staff of railway officials and workmen.

Having seized the power, the Bolsheviks had taken upon themselves responsibility for all supply and all distribution. We have before us a whole series of decrees concerning the nationalization of internal commerce. Moreover, in the spring of 1918 the Soviet Government went further and decreed the nationalization of the foreign commerce. Private trade was declared to be speculation, and many private persons had to pay either with their fortunes or with their lives for their part in real or supposed speculation. The Soviet Government drew up plans for the rationing of food and other necessary commodities down to the minutest detail, but on different occasions it was obliged to confess that its efforts were successful only on paper.

All the economic activity of the country seems to be concentrated in the hands of a Soviet organization for the production and the distribution of goods. The Soviet Government created forty-two central organs for the regulation of production and distribution, not to mention the highest state organs, such as the Supreme Economic Council and its various divisions, as, for instance, the divisions for flour, honey, textile, coal, leather, tea, tin, fat, tobacco, paint, starch, india-rubber, matches; then, too, the department for organization of production, the metallurgical section, the section for the chemical preparing of wood, as well as many others employing 1,198,000 workmen, all told, in 1919.

In reality all this is only theatrical scenery. What discredits the Bolsheviks more than anything else is the fact that they have proved themselves unable to better the living conditions of the workmen in the nationalized enterprises. At the end of August 1918 the workmen numbered 1,400,000. But this number had diminished to 1,200,000 on March 1, 1919, and again to 1,000,000 on January 1, 1920. Trotsky, in his speech in defence of his project for the militarization of labour at the annual sitting of the communists in March 1920, proved that there were in fact only 700,000 workmen, for the other 300,000 'abide somewhere in space'. This must of course be understood to mean that 300,000 workmen every day are out in search of bread or else speculating in this or that commodity in order to cover the living deficit they suffer on account of the miserable wages.

On paper the wages are very high. A common workman, who before the war could earn 50–60 rubles a month, now receives 3,000–4,000. The skilled workman earns 6,000 rubles or more a month, and the officials of the Soviet institutions receive 2,000–5,000. Finally, the specialists, especially the engineers, get 8,000–12,000 rubles a month. Owing to the extreme depreciation of the ruble, however, these high wages mean very little. The fixed food prices are comparatively low, but the trouble is that food is difficult to get at any price. At the end of December 1919 for instance, the entire population of Moscow was divided into three categories: (1) workmen and responsible Soviet officials, (2) other officials and students, (3) the rest of the population. The first category was to have 300 grams of bread for two days; the second category, 200 grams; the third, 100 grams. Besides this, the factory workmen were to receive 100 grams a day extra. Further, the people were to get 800 grams of sugar every two or three months and a certain quantity of dried fish. Cards were also distributed for 250 cigarettes and several boxes of matches a month.

But there is not a person in Moscow who is satisfied with the system of cards, which are issued irregularly at best and often in theory. So, at least, we are informed by a Russian

newspaper from which we have taken these details. The result is that the common workmen and officials in Moscow are always engaged in procuring food, and they devote all their spare time to finding 'cheap' goods for speculation. This accounts for the increasing prevalence of corruption, theft, bribery, and abuses of all kinds. However, we must give the Bolsheviks their due. They have taken upon themselves to supply free food to children up to the age of 16 years; and while the quality of the food is steadily deteriorating, still we must admit that children under the above age limit are suffering less from famine. In a certain sense, indeed, they are even being 'spoiled', since besides the above-mentioned ration they receive 100 grams of white bread, milk, chocolate, and jam.

Thus we see that it is quite impossible to exist without getting food 'on the side', i. e. from speculators. Those who have visited Soviet Russia assure us that all people, including even school boys, are speculating. The boys go to school only at midday, as the schools are never heated and there are no books, materials, nor even teachers, who, according to the statement of Lunatcharsky, the Commissioner of Instruction, are engaging in sabotage as a demonstration against the Soviet Government. Some of the teachers have been mobilized and others have given up teaching for more lucrative occupations. As to the prices in the 'free market', they are incredibly high and are constantly rising with seemingly irresistible force. To give some idea of this tendency we will offer some parallel figures showing the comparative prices of certain products in Moscow in December last and at the beginning of April. In December, 1 pound (400 grams) of butter cost 1,800 rubles; potatoes, 80 rubles; meat, 400 rubles; a costume made to order, 35,000 rubles, etc. In April, according to a member of the Esthonian delegation who went to Moscow to exchange the peace notes, the prices were: 1 pound of butter, 3,000 rubles; potatoes, 150 rubles; meat, 750–800 rubles; a costume made to order, 75,000 rubles. Among other prices mentioned by the Esthonian delegate, we may mention a pair of high boots made to order, 30,000 rubles; cloth for a coat, 10,000 rubles a yard; for a suit, 7,000 to 9,000 rubles a yard;

candles, 375 rubles apiece; millet, 500–600 rubles a pound; bacon, 2,700–3,000 rubles a pound; cakes (made in secret confectioneries), 250–300 rubles apiece (as compared with 3–5 kopecks in the time of peace), etc., etc. According to reliable calculations, the minimum monthly income required for the feeding of one man in Moscow and Petrograd is from 30,000 to 50,000 rubles. In view of all this it is not strange that everybody in Soviet Russia is engaged in speculation. Everything is for sale, new things, second-hand things, food as well as other articles of value. It is quite common for the peasants to buy pianos, upholstered furniture, carpets, pictures, etc., and carry them home to their villages in preference to paper money, now only to be had in large sheets.

Summary

On March 30, at the annual sitting of the All-Russian Communistic Party, Lenine made a speech which exhibits complete inconsistency both in general and in its details. Among other things he said (we quote from *Pravda* of March 31): 'After two years' experience we cannot act as if we had tried to introduce the socialistic order for the first time. This, thanks to God, is not true. We committed follies enough during the period of Smolny (an allusion to the hasty nationalization), but there is nothing disgraceful in this. Where were we to get the wisdom from, when we began a new thing? We tried this, we tried that.' The speech defends on principle the refusal to prosecute the members of the bourgeoisie, the necessity of whose assistance Lenine endeavoured to prove by reference to the fact that the French revolutionists had been obliged to utilize the experience of the overthrown aristocracy. This speech is symptomatic, if we take into consideration the fact that the Soviet Government is making energetic efforts to initiate economic and political relations with the capitalistic 'bourgeois' states. At all events, there is a sufficient reason for maintaining that the Bolsheviks are not only aware of having 'committed follies enough', but are also ready to correct their mistakes. The only question is: Do they know how?

PART III

ECONOMIC LIFE IN SOVIET RUSSIA IN 1920

Metric Equivalents of Russian Measures

1 arshin = 0.71 metre.
1 dessiatine = 1.09 hectares.
1 pood = 16.36 kilograms.
1 sagen = 2.13 metres.
1 vedro = 12.29 kilolitres.
1 verst = 1.06 kilometres.

PART III

Introduction

Extremely abnormal conditions accompanied the development of the economic life of Russia in the year 1920. It was influenced, first of all, by the civil war, which in that year assumed a particularly acute form. The beginning of the period, it will be remembered, was marked by General Denikin's military failure. He was obliged to abandon the entire territory of South Russia, with the exception of the Crimea. On March 21 General Denikin appointed General Wrangel Commander-in-Chief of the military forces of South Russia, which were concentrated in the Crimea. General Wrangel succeeded in reconstructing the Crimean army so that it was again able to take the field, and in the course of the summer it advanced considerably to the north. Wrangel's government, led by Krivoshein, attempted to bring about two reforms: first, that relating to the land, the purpose being to legalize the seizure on the part of the peasants of the great estates and of those hitherto owned by the State itself, which legalization was to be achieved through the payment of an indemnity to the Government; secondly, the establishment of popularly elected organs of self-government (*zemstvos*), beginning with the *volost*, or rural communities composed of several villages. This government was officially recognized by France as a *de facto* government. But when the Bolsheviks, having concluded an armistice with Poland, threw all their forces against the Crimea, General Wrangel found himself forced to evacuate the country; he succeeded, however, in bringing away on steamships an important part of his troops with full armament.

The detachments of Balakhovich and Savinkov, which formed a part of the rural army, continued after the Riga armistice to fight in White Russia, but they were defeated by

the Bolsheviks, who likewise defeated the 'Ukrainian Regent', Petlura, after the Poles had finally forsaken him. The war with Poland continued during the whole summer and resulted in the ultimate victory of the Poles.

From the military point of view, events in Russia in 1920 finally demonstrated that the Red Army was sufficiently strong to crush its 'internal' enemies; but at the same time its utter inability to contend against a regular army of the normal European type became clear.

Before proceeding to consider the separate phases of Russian economic life toward the end of the year 1920, we desire to state that the first and most important sources for the material for this monograph are the Bolshevik publications, particularly the official organ of the Soviet Government, the daily newspaper *Economitcheskaia Shisn* (*Economic Life*). It is superfluous to call attention to the one-sided emphasis of the Bolshevik press in its presentation of economic facts—to its total silence regarding the unfavourable points of the Bolshevik national system. This is a condition for which we must be prepared in our study of the economic situation in Russia. Nevertheless, even this material as published by the Bolsheviks is sufficiently clear and eloquent to enable us to pass judgement on the general course of economic life in Russia, and especially on the results of the Bolshevik economic policy.

The Financial Situation

The following figures, taken from the Soviet Government's budget for the year 1920, will be of interest as illustrating the financial condition of Soviet Russia. This information, published by the *Economitcheskaia Shisn,* surpasses the wildest imaginings of the human mind. In 1920 the expenses of government amount to 1,150 billion rubles; the income is estimated at about 150 billion rubles; the deficit is therefore approximately 1,000 billion rubles. During the three years of the Soviet Republic's existence the incredible disorder in the administration of the State finances and the abuse in the printing of bank-notes has grown to proportions utterly unknown in

the history of the civilized world. Expenses and income of the Soviet Republic during these three years are shown by the following figures :

Year.	*Expense.*	*Income.*	*Deficit.*
		(In milliards of rubles.)	
1918	46·7	15·8	30·9
1919	125·8	50·6	75·2
1920	1,150·0	150·0	1,000·0
Total	1,322·5	216·4	1,106·1

The Soviet Government managed in the three years of its exercise of power to establish in the finances of the State a deficit of one thousand billion rubles. Government expenses were multiplied by twenty-five, while the increase of income was only ten times that of previous days; the deficit increased thirty-seven times.

Expenses for various branches, distributed among the various commissariats, have reached quite an exceptional level, as shown by the following table :

	1918.	*1920.*
	In milliards of rubles.	
Expense of the Commissariat of Food Supply .	4·5	172
Public instruction	2·4	100
Railways, roads, etc.	7·3	70
Agriculture	0·6	62
Public aid	2·2	60
Home Office	0·7	40

Direct taxes play no rôle in the Soviet Republic. According to the budget for the year 1920, they represented only 8 per cent. of the entire State revenue.

No income is derived from nationalized industries of any kind. These industries absorb enormous sums of money, they cause huge expenses and produce nothing. They have long since become a combination of sinecure and insurance office for the numerous army of State employees, which often exceeds in number the workmen employed in the industries.

As the result of these conditions, the Soviet Republic's financial edifice rests upon two bases : the indirect taxes, which not only still exist in the Soviet Republic under all their old

forms but have become even more onerous; and the bank-notes issued by the Government presses.

The issue of bank-notes, although increasing monthly, still continues to lag behind the demand in Soviet Russia. For instance, payments made on September 30, 1919, amounted to 23,040,000,000 rubles, while the call was for 30,400,000,000. A sufficient gold reserve to protect the circulation medium is to-day out of the question in Russia. The bank-notes in circulation on July 16, 1914, were secured by a gold reserve to the amount of 107.4 per cent. This reserve fund decreased to 6.8 per cent. on October 23, 1917, and was only 0.078 per cent. on October 1, 1920. For the 639,697 billion paper rubles in circulation on that date the corresponding gold reserve was only about five hundred million rubles.

The rulers of the Soviet continue to dream of suppressing the monetary system in Russia, of abolishing money as a means of exchange and payment. From time to time the Bolsheviks declare the abolition of payment in money for work and for food distributed by the State. The Sovnarkhoz (Supreme Council of National Economy) decided upon the practical abolition for workmen, beginning with the new year 1921, of payment for all food and products of industry, for lodging, fuel, electricity, telephone, water rents, canalization, railway traffic, and transport of goods. This decision also extended to the settlement of accounts between different industrial establishments. It would be quite wrong, however, to regard this measure as an attempt, however modest, to realize a socialized system of exchange. The actual reason for the measure is a very simple one: the depreciation of money in the Soviet Republic and the corresponding rise in price of all merchandize has reached a point where money no longer has any value as a means of payment or exchange. As an example, the price of the established food ration (representing a norm of 2,700 calories) was in the open market, according to the statement of the Red paper *Krasnaia Gazeta* of November 6, 1920, equal to 29 'units' in the first quarter of 1918, to 243 units in the second quarter of 1919, to 249 in the fourth, and to 2,103 in the

first quarter of 1920. The value of a food ration has thus increased almost one hundred times in two years.

Under such conditions the establishment of natural exchange no longer represents the realization of a higher standard of social economy, but is merely the expression of economic downfall and of a retrogression in material culture. The depreciation of *Soviet money is best illustrated by the fact that at the end of* 1920, 200 Soviet rubles could be bought for one German mark.

The Industrial Situation

One most important fact is dominant in the economic situation of the Soviet Republic at the beginning of its fourth year, namely, the final exhaustion of the entire store of goods inherited from the 'bourgeois' system and by means of which alone the Bolsheviks had been enabled to exist for so long a time. This situation is clearly realized by the Bolshevik Government itself. According to an influential Bolshevik publicist, Kroomin,[1] the chief characteristic of the year 1920 *lies in the fact* that 'the *stores we inherited from the* period *of* bourgeois domination have been entirely exhausted during the two previous years, and the Soviet Republic is now compelled in all branches of national industry to depend solely on its own Soviet production'. The same fundamental fact is stated in a circular issued by the Supreme Council of National Economy in October 1920:

'The coming year 1921 will be much more difficult than the preceding one as regards providing the country with industrial products. Old stores are coming to an end, production increases very slowly.[2] The Commissariat for Food Supply received in 1920 only 80,000,000 *arshins* of manufactured goods for exchange for such all-important items as corn and other foodstuffs; whereas 443,000,000 *arshins* had previously been allotted for the supply of the rural population, without reckoning a quantity of other products, such as woollen and flax web, boots, galoshes, sugar, soap, etc., all of which have been entirely omitted for the current year.'[3]

[1] *Economic Life*, no. 245, 1920. [2] Ibid., no. 243, 1920. [3] Ibid.

The President of the Supreme Council of National Economy, Mr. Rykoff, when presenting his report on the situation of industry to the Eighth Congress of the Soviets at Moscow in the month of December 1920, made the following statement:

'The revival of our industry, which began in the second half of 1920, occurs at a moment marked by a most serious diminution, in some branches by an almost entire exhaustion of the Republic's store of metals, of manufactured and half-manufactured goods inherited by the Soviet Government from the *bourgeois* régime. For instance, there were in 1918 no less than 1,500,000,000 *arshins* of manufactured goods stored in the factories and warehouses of the Republic; but such stocks at the present moment represent only about 40,000,000 *arshins*, while as to metals we shall have on January 1, 1921, only 9,000 *poods* instead of 44,000.'

Shortage of raw material is one of the chief reasons for the almost total decay of industry in Soviet Russia. There occurs in a leading article in *Economic Life*[1] the following statement regarding the storing of raw materials:

'As time goes on, we are becoming more and more affected by the shortage of raw material. The area allotted to special crops decreases at a disastrous rate. We are threatened by the danger of finding ourselves without textiles, sugar, tobacco, and other products of supreme importance for our manufactures; that is to say, without any products whatsoever, since the lack of such indispensable materials as those above enumerated will result in the diminution of corn and grain supplies. In order to save the situation it is necessary to organize a regular supply of manufactured goods for the rural population.'

One of the leading men of the Soviet Government, Mr. V. Noguin, wrote in December in *Economic Life*:

The stock of raw materials indispensable for the revival of industry and for the gratification on a more generous scale of the demand for the necessaries of life by the masses is considerably diminished. The question of reviving the culture of flax, hemp,

[1] No. 200, 1921.

cotton, sugar-beet, and similar vegetable products, becomes the most important point in our economy.

'The shortage of foodstuffs and a series of attendant circumstances have led our peasants to abandon special branches of agriculture for that of corn. The latter takes the place of hemp and flax. The experience of recent years has shown that the stock of raw materials in hand can be increased only as we cater more generously to the needs of the peasants.

'It is likewise a fact that the peasants are no longer willing to perform the primitive processes connected with the production of raw material, such as cleaning of hemp and flax. The establishment of factories for such processes therefore becomes imperative. The first step, however, to be taken is to increase the area allotted to the culture of plants connected with the industries, as in the very near future the existing stores of raw material will no longer suffice for the requirements of industry and exportation. Our Sovkhoz and Komkhoz (economic councils and committees) cannot make good the lack of raw materials.'

The following data, although referring to only a few branches of national industry, may serve as an illustration of the lack of raw materials. A report read at a plenary meeting of the Committee of the Trade Union of Metallists, held in January 1921, declares that 'the state of the supply of black metal on hand in the Republic at the present moment must be characterized as nothing less than catastrophic.'

The situation existing at present in Turkestan as regards the culture of cotton is perhaps the most tragic of all. According to the official statement of the Supreme Council for National Economy, four million *poods* of cotton filament had been sent from Turkestan to the interior of Russia up to December 1, 1920, while 5,000,000 still remained in Turkestan. Mr. Sokolnikov, a specialist in Turkestan affairs, writes in the Communist paper *Pravda*[1] that 'this cotton stock of 9,000,000 *poods* represents exclusively the crop left over from previous years, and the Soviet textile industry again faces a critical situation'.

In the spring of 1920 the co-operative organization of cotton producers in Turkestan 'registered' 140,000 *dessiatines* for the intended sowing of cotton, but only 109,000 *dessiatines* were

[1] No. 291.

actually allotted to this crop, which before the war had amounted to 600,000 *dessiatines*. The normal crop from cotton fields of this area should amount to 5,000,000 *poods*, but the local Economic Council counts upon only 2,500,000 *poods* in consequence of unfavourable weather. Mr. Sokolnikov regards even that modest figure as doubtful, in view of the 'utterly inadequate means of production'. Even taking into consideration certain supplementary supplies, such as the good crop in Bokhara and the stock of raw cotton left over from the year 1919, Sokolnikov does not expect the delivery of cotton filament to manufacturers to exceed 1,000,000 *poods*. The existing stock of cotton seed does not provide for the sowing of more than 150,000 *dessiatines* in 1921. 'Under the most favourable conditions such an area can produce 2,000,000 *poods* filament;' but Sokolnikov is quite sure that there will be at least 25 per cent. less than this maximum. According to the above calculation for the remaining period until the year 1923 there would be available for the textile industry only 2,500,000 *poods* of cotton filament, in addition to the millions already existing. Sokolnikov adds further that prior to the revolution those textile manufactories which are situated in the territory of the Soviet Republic alone absorbed 16,000,000 *poods* of filament yearly. The conclusion which he draws is that 'in 1923 the textile industry may possibly cease to exist in consequence of an entire lack of cotton.'

Figures in *Economic Life* [1] also give ground for the most serious anxiety regarding the state of cotton culture in Turkestan. According to the statistics of the Cotton Committee, the area allotted to the culture of cotton near the frontiers of Khima and Bokhara is only 108,000 *dessiatines*, instead of 460,000 as formerly, or only 23 per cent. of the normal area. The quantity and quality of filament are also declining. The average yearly output of filament in Turkestan amounted in previous years to 85–90 *poods* per *dessiatine*; in 1920 it will not exceed 35–40 *poods*. The length of filament has varied in the past between 22 and 25 millimetres, but at present it does not exceed 14 millimetres.

[1] No. 230, 1920.

The amount of cotton purchased during the last three years is shown by the following table:

Year.	*Poods.*
1918	6,600,000
1919	5,630,000
1920	2,105,000

The same condition of final decay is revealed in the oil-pressing and soap-boiling industries, in which raw products are utilized. As compared to the preceding year, these industries show a decrease of 15 to 40 per cent. This phenomenon is easily explained. The review already quoted remarks in this connexion that 'an important factor in the reduction of the cotton fields in Turkestan was the total cessation of all deliveries of wheat. In the days before the revolution approximately 20,000,000 *poods* of corn were imported from other territory into Turkestan, and large spaces of land were thus released for cotton culture'.

It is no cause for wonder, therefore, that the Soviet Government is greatly alarmed by the state of cotton culture as just described and that it is taking various measures to avert the threatened catastrophe. A decree was issued in December 1920, by the Sovnarkhoz (Council of National Economy) ordering the militarization of all institutions and undertakings having to do with the raising and manufacture of cotton in its first stages and with irrigation. At the same time the mobilization of specialists in cotton culture was decreed, without regard to their employment at the moment. Another decree enjoined the said Council together with the Commissaries for Food Supply, for the Zemstvo, and for Foreign Commerce, to prepare a plan for the rehabilitation of cotton culture within a period of five years and likewise a programme for supplying the cotton producers with indispensable food as a means of encouragement.

The same picture is presented for the season 1919–20 as regards the production of raw flax. No. 230 of *Economic Life* contains the following statement:

'The general result of flax seed production up to August 15,

1920, in all regions taken together, is estimated by the Flax Office of the Glavtextil (Central Direction for Textile Industry) at 2,052,484 *poods*, whereas the total production for the first year had been 5,721,978 *poods*. Regardless of such a difference, the result must be considered successful, in view of labour conditions.'

These 'conditions' are the result of the bureaucratic interdepartmental conflict between the Flax Office, the Glavtextil, and the Sovnarkhoz. The Flax Office had suggested a fixed price of 500 rubles per *pood*, together with premiums in the form of supplementary food distribution or of manufactured goods; but the Sovnarkhoz established a price of 225 rubles per *pood*, without any premiums.

It is easily to be foreseen that the situation as regards the storing of flax in 1920–21 will be still more discouraging, since the areas of the flax fields have decreased and at the same time famine has become so acute that the Soviet Government has found itself forced to supply the flax producers not only with bank-notes, but also with corn, as in Turkestan.

We have at our disposal two official documents concerning the development of industry during the year 1920. One of these was published in the official organ of the Central Executive Committee of the Soviets, *The Moscow News* [1] of December 21, 1920, and gives a résumé of figures presented to the Eighth Congress of Soviets. This report is based on official information received from the respective commissariats and statistical institutions. The other document is the report, already quoted, of the President of the Supreme Council of National Economy (Sovnarkhoz) presented to the same congress.

The report of the *Izvestia* referred to gives a description of Russian industry which clearly shows how it has been gradually ruined during the years of the Bolshevik régime. The published information is furnished by the head offices of the corresponding branches of industry. Characteristically enough, the *Izvestia* abstains from comment on the figures, which are far from encouraging for Russian industry.

[1] *Izvestia*, no. 287.

The supply of firewood, the all-important fuel in Soviet Russia, is thus presented in cubic *sagens* :

	1918–19.	*1919–20.*	*1920–21.*[a]
Made ready in forests . .	3,100,000	9,500,000	1,200,000
Delivered at destination . .	*2,200,000*	*6,900,000*	*400,000*

[a] *Four months.*

If during the fuel-storing period of 1920–21 the work continues at the same rate as for the first four months, the result will surpass that for the year 1918–19 as regards the item 'fuel in forests', but will fall considerably below that for the year 1918–19 as regards 'fuel from forests'. In either case a marked retrogression is to be observed as compared to 1919–20.

The total production of coal, naphtha, and naphtha derivatives, such as gasoline, benzine, lubricating oil, etc., is shown as follows in millions of *poods* :

	1918.	*1919.*	*1920.*
Coal	703	485	435
Naphtha	233	269	225
Naphtha derivatives . .	150	168	59

The following statement covers textile manufacture in the nationalized cotton factories and in linen manufacture :

	1918.		*1919.*		*1920.*	
	Number of spindles in operation.	*Production in poods.*	*Number of spindles in operation.*	*Production in poods.*	*Number of spindles in operation.*	*Production in poods.*
Cotton . .	—	5,200,000	415,000 to 960,000	1,100,000	395,000	600,000
Linen . .	250,000	1,570,000	205,000	942,000	144,008	800,000

For hemp manufacture statistics are given only for the largest factories and even these are very incomplete.

	1918.	*1919.*	*1920.*
Number of looms in operation .	—	—	11,500
Production in *poods* . . .	—	308,000 [a]	628,000

[a] This number may be 808,000 *poods*, as the figures in the original account are almost illegible.

Although during the year 1919 no weaving looms were busy, nevertheless the hemp factories appear to have produced 308,000 *poods* of manufactured stuff. As already mentioned,

only the largest factories are taken into account; the yielding of 308,000 *poods* therefore remains a mystery, as it can scarcely be supposed that this figure represents the product of home industry.

For wool and silk manufacture only the number of working spindles is given; this number, we find, has increased in the wool manufacture during 1920.

Spindles (bobbins) in operation.

	In wool manufacture.	*In silk manufacture.*
1918	100,000	30,000
1919	95,000	10,000
1920	116,000	10,000

The following figures represent the output of cast-iron and the working of metals in Central Russia (South Russia and Oural excepted):

	Blast furnaces. Number.	*Martin furnaces. Number.*	*Rolling mills. Number.*	*Cast-iron production. Poods.*
1918	13	11	14	3,700,000
1919	9	4	12	1,340,000
1920 (half year)	5	4	7	310,000

For the whole of Russia, including the territories of South Russia and the Oural, we have the following figures for the first half of the year 1920:

	Blast furnaces. Number.	*Martin furnaces. Number.*	*Rolling mills. Number.*	*Total production. Poods.*
The south	1	4	15	1,600,000
Oural	6	5	8	10,000,000
The centre	5	4	7	?
Total	12	13	30	?

Although on the one hand this report seems to show an improvement as regards the providing of fuel for industry, on the other it reveals a steady decline of production in the different branches. It is offered, seemingly, as a consolation, showing the supposed augmentation in the textile industry, in which production has increased from 24,000 *poods* in July to 79,000

poods in November; or, if reckoned in *arshins*, from 4,500,000 *arshins* in June to 13,000,000 in November. These figures, however, are in direct contradiction with all that has hitherto been published in the Bolshevik press.

The same report deals also, as was to have been expected, with the Bolsheviks' cherished plan of introducing electricity throughout their level country. According to the report, the plan to provide Russian villages with electric current from generating stations with 200 kilowatt power resulted in five such stations being established in 1918, 40 in 1919, and 104 in 1920. These were distributed: 16 counties with 5 stations each; 5 counties with 5 to 10 each; 3 counties with 10 to 20 each; 1 county with over 20. Seventy-seven new electric stations are being built at the present time and 90 others are projected.

From Rykoff's report we gather the following information:

'Peace with Poland and Wrangel's defeat definitely secured for Soviet Russia the richest source of raw materials and fuel, and rendered possible the concentration of the country's entire strength on national economic reconstruction upon this wider base.

'An actual amelioration is to be noted in several branches of our national economic life during the last year. Information for the current year shows a considerable improvement in the storing of food supplies. For instance, 57,570,000 *poods* of corn and forage-grains was stored during the first quarter of the year 1919–20 (i. e. for August, September, and October); while for the same period of the year 1920–21 the storing amounted to 140,652,000 *poods*. In other words, the amount of corn and forage-grain which has been stored has increased 244 per cent. The amelioration as regards fuel can be seen from the quantity actually used. In 1914, calculated on the firewood basis, this was equal to 7,155,000 cubic *sagens*, whereas 11,083,000 cubic *sagens* were used in the course of ten months in the year 1920; that is to say, the consumption of fuel during these ten months represents more than 150 per cent. of the consumption for the entire year 1919.

'The increase is still more notable as regards the storing of fuel. Coal to the amount of 36,881,000 *poods* was produced

during the entire year 1919, while in the course of ten months of the year 1920 the production was 341,232,000 *poods*; for the same periods peat production registered respectively 67,100,000 and 82,300,000 *poods*; that of firewood 4,200,000 and 9,400,000 cubic *sagens*, respectively. A still greater difference is to be noticed in the matter of liquid fuel. During the year 1919, although liquid fuel of all kinds, including many kinds of oils, was used, the consumption did not exceed 50,000,000 *poods*; whereas in the course of ten months of the year 1920, 116,900,000 *poods* of liquid fuel have thus far been brought to Central Russia, to say nothing of clear naphtha products and lubricating oils.

'Improvement in transport is reflected in the acceleration of deliveries for industry.

'In 1919 the average monthly transport, fuel excepted, was 11,130 carloads on orders from the Central Government and 4,053 carloads on local orders. These figures in 1920 changed respectively to 19,572 and 5,354 carloads; productive transport, we thus see, increased by about 75 per cent.

'The conjunction of frontier provinces with Soviet Russia made it possible to supply the manufactories abundantly with raw cotton. By the first of January 350,000 *poods* had been delivered to the factories, and on November 1 the amount had reached 1,221,000 *poods*. It was thus possible for a larger number of manufactories to begin work, as shown by 29 spinning mills with 576,577 spindles in October as against 17 mills with 290,582 spindles in July, and a production of about 11,500,000 *arshins* of raw tissue as against 4,000,000 *arshins* for July.

'The supplying of wool manufactories improved likewise, the total production for this purpose amounting in October 1920 to 2,000,000 *arshins*, as against 1,000,000 in July. The increase after the annexation of South Russia is still more marked in the production of tobacco, and in the soap-boiling and oil-pressing industries, as well as in some other branches. In April the tobacco factories of Moscow had a stock of raw leaves for only two months, and those of Petrograd for but a few days; whereas on October 1 they had stocks of 93,000 and 200,000 *poods*, respectively, being thus supplied with material for ten months.

'Several blast furnaces which were all idle last year were again in operation by the middle of the current year. On

December 1, 19 blast furnaces of the Oural, of the Donetz region, and of Central Russia, were lighted. It may be observed that this number is constantly increasing, especially in the Oural, where 10 blast furnaces, 12 Martin furnaces, and 25 rolling mills were in activity at the beginning of December. At the same time the condition of the iron industry, the production and working of minerals, etc., still remains alarming. The programme for the year 1921 provides for only 30,000,000 *poods* of cast-iron (about half the minimum quantity required) and for 45,000,000 *poods* of wrought iron.

'The growth of production and its expected results for the year 1921 is shown by the following table :

PRODUCTION 1920–21.

Items.	*1920.*	*Anticipated for 1921.*
Firewood and timber	10,500,000 cubic *sagens* [a]	19,000,000 cubic *sagens* [a]
Coal	431,744,000 *poods*	718,000,000 *poods*
Naphtha	71,000,000 ,,	298,745,000 ,,
Salt	40,000,000 ,,	52,100,000 ,,
Miscellaneous	3,160,000 ,,	12,215,000 ,,
Gold	95 ,,	276 ,,
Platinum	23 ,,	68 ,,
Semi-white glass	26,781 cases	149,030 cases
Matches	609,196 ,,	1,228,300 ,,
Unrefined sugar	7,500,000 *poods*	25,514,000 *poods*
Soap	817,000 ,,	1,080,000 ,,
Rubber belts	347,000 *arshins*	1,320,000 *arshins*
Tobacco	9,355,000 smoking units	21,400,000 smoking units
Sulphuric acid	676,000 *poods*	2,743,000 *poods*
Electric lamps	645,000 lamps	1,837,000 lamps
Electricity	180,000,000 klwt.	244,700,000 klwt.
Paper	1,885,000 *poods*	3,000,000 *poods*
Cotton tissue	135,000,000 *arshins*	780,000,000 *arshins*

[a] For season.

'All the anticipated results of extended programmes for production in the various branches of industry can, however, satisfy only a small percentage of the demand existing among the masses and in the industry itself.'

The above figures undoubtedly show an increase in quantity production, but they do not reveal an improvement in the general situation. If we subject them to critical examination, we shall find a certain progress only as regards the storing of peat, the production of which is limited almost entirely to the centre of Russia and is absolutely controlled by the Soviets.

The real state of Soviet production can be learned from figures published by one of the leading members of the Supreme Council of National Economy, G. Larin, in the Moscow *Pravda*, on November 14, and which are based on the production of forty of the most important raw materials, minerals, etc., during the first half of 1920, as compared to the peace-time production of the years 1913 or 1914. His figures are taken principally from the official reports of the respective central authorities, consideration being given as a rule only to the real Soviet Russia. Whenever the Caucasus, the Ukraine, Siberia, or Turkestan are included, this is specifically stated. The most important of Larin's figures are given below:

COMPARISON OF WAR AND PEACE-TIME PRODUCTION

Items.	*Annual production in 1913 or 1914.*	*Production first half 1920.*	*Percen[illegible] half-[illegible] peac[illegible] prod[illegible]*
Colours, varnishes, etc.	3,000,000 *poods*	33,000 *poods*	[illegible]
Paper and cardboard (includes Ukraine)	13,500,000 ,,	1,030,000 ,,	[illegible]
Rubber goods	1,840,000 ,,	34,000 ,,	[illegible]
Glass	440,000 cases [a]	28,000 cases	[illegible]
Matches	3,650,000 ,,	310,000 ,,	[illegible]
Tobacco	4,300,000 ,,	380,000 ,,	[illegible]
Spirits, 40°	38,500,000 *vedros*	1,930,000 *vedros* [c]	[illegible]
Sugar (includes Ukraine)	105,000,000 *poods*	4,737,000 *poods* [c]	[illegible]
Coal (includes Ukraine and Siberia)	1,800,000,000 ,,	225,000,000 ,,	[illegible]
Naphtha (includes Caucasus and Emba)	600,000,000 ,,	100,000,000 ,,	[illegible]
Platinum	300 ,,	50 ,,	[illegible]
Gold (in Siberia)	4,000 ,,	240 ,,	[illegible]
Iron ore (includes Ukraine but not Crimea)	530,000,000 ,,	32,000,000 ,,	[illegible]
Cast-iron (includes Ukraine)	257,000,000 ,,	30,000,000 ,, (?)	[illegible]
Iron and steel (includes Ukraine)	220,000,000 ,,	4,500,000 ,,	[illegible]
Cotton filament (in Turkestan)	20,000,000 ,, [b]	4,000,000 ,,	[illegible]
Manufactured cotton	19,800,000 ,,	330,000 ,, [d]	
Sowed flax	1,060,000 *dessiatines*	536,000 *dessiatines* [d]	[illegible]
Kali salt (potash) (in Caucasus)	1,600,000 *poods*	—	[illegible]
Nitric acid	1,470,000 ,,	—	[illegible]
Flour	1,000,000 ,, (?)	90,000,000 *poods*	[illegible]
Mineral fertilizer	10,030,000 ,,	—	[illegible]
Soap and Candles	20,867,000 ,,	291,000 ,,	
Pencils	500,000 gross	3,000 gross	

[a] case = 15 *poods*. [b] 1915. [c] 1919–20. [d] 1919. [e] Of yearly pro[illegible]

From these official data Larin calculates to what degree the production programme has been carried out. On this point his conclusions likewise are very discouraging. Actual production exceeded 50 per cent. of the programme only in the following branches: furs, 60 per cent.; medicaments, 66 per cent.; glass, matches, and tobacco, 56–7 per cent.; paper, 81 per cent. The production of all other goods fell much below expectation. It amounted, reckoned in percentage of the production programme, as follows: colours, 25 per cent.; India goods, 29 per cent.; spirits, 16 per cent.; sugar, 29 per cent.; ink, 16 per cent., etc. Upon the basis of their experience in the first half year, the central administration intends to revise their estimates for the second half year. Production of ink, for instance, will be reduced by 11 per cent. from the original estimate for the second half year of 1920. According to this reckoning, the production of spirits would amount to one quarter of the original estimate, that of colours, sugar, and starch to less than one-half. Production of artificial butter and furs alone are expected to show an increase of 250 to 260 per cent.

Finally, Larin calls attention to a circumstance which casts a still less favourable light on the results of Soviet production: a proportionately large part of the goods produced is used in many branches directly for the producers' own wants, quite independently of the output. The demand for coal at the Donetz mines themselves is under all circumstances about 10,000,000 *poods* monthly. If we take into consideration that the total production of these mines at present does not exceed 20 per cent. of the output in time of peace, it is seen that Soviet Russia obtains, after the needs of the Donetz region itself are satisfied, only 5 per cent. of the quantity used by the country before the war. It is to be remembered further that even before the war Russia did not produce enough coal, being forced to import about 500,000,000 *poods*, which supplementary source, as is well known, has been closed for a long time.

After these general remarks, let us try to characterize the situation in the different industrial districts and various branches of industry.

We shall begin with the description of Russia's most important industrial district—the region of Moscow. Despite its advantageous central situation, Moscow is at the present moment in a very difficult position as regards the supply of raw materials and fuel. The reason for this is that Moscow's supply is dependent upon the railroads, as there are no cheap and convenient waterways to feed its industries. This defect is naturally felt much more keenly since the collapse of railway transport, and the inevitable consequence of the inadequate supply is the stoppage of many industrial plants.

According to a short report in *Economic Life,* the Statistic Department for Industry has undertaken an investigation of all industrial undertakings in the city of Moscow, with the view to obtaining a clear understanding of the present situation as a basis for comparison with former years. The total number of industrial undertakings of all kinds decreased in the period from August 1918 to June 1, 1919, from 1,169 to 1,063, showing a reduction of 9 per cent. The number of active undertakings has fallen from 950 to 657, whereas the number of those no longer in operation has risen from 219 to 406. The total number of workmen in both active and idle establishments was 147,424 in August 1918; 105,210 on June 1, 1919; and only 87,363 on June 1, 1920, or a decrease of 40·8 per cent. in the number of workmen in twenty months' time. In undertakings still in activity the number of workmen fell from 142,853 in the year 1918 to 79,003 in June 1920.

The whole number of active undertakings, together with workmen and employees, was on June 1, 1920, divided among the different branches as shown in the table opposite.

The greater number of undertakings which have been closed belong to the polygraphic, food, and chemical trades; these branches have 60, 54, and 44 idle plants, respectively. Those closed in the textile branch show the greater number of workmen and employees: 35 idle cotton factories employed 6,459 workmen and 766 employees; and 37 idle wool manufactories gave occupation to 1,038 workmen and 167 employees.

	Undertakings.	*Workmen.*	*Employees.*
Stone and earth industry	13	1,398	302
Metallurgy	53	4,929	903
Engine-building works	110	14,787	4,143
Wood industry	18	1,424	175
Chemical ,,	70	6,704	1,820
Foodstuff ,,	57	12,925	1,588
Leather. ,,	28	1,874	280
Cotton ,,	27	2,410	293
Wool ,,	33	2,665	308
Silk ,,	3	473	27
Hemp ,,	14	638	99
Cloth-making industry	106	14,055	1,819
Paper industry	21	1,000	140
Polygraphical trade (copying)	63	10,609	949
Other trades	40	3,704	1,520

It is curious to note that the number of workmen in the idle trades, which amounted to 4,751 in August 1918, had risen to 18,973 in June 1919, but again fell to 8,330 in June 1920. Although the number of closed works connected with the various trades showed a steady increase in Moscow during the last years, an uninterrupted decline on the contrary is to be noticed in the number of unemployed workmen. There is a twofold explanation for this phenomenon: part of the workmen thus set free are sent without further delay by the Soviet authorities to obligatory work in other branches, especially railway transport, while others are mobilized into the Red Army.

In connexion with the above data, information regarding the situation in the Moscow labour market in 1920 becomes especially interesting. According to the statement of the Moscow Section for Labour Statistics, conditions in this market were steadily growing worse. Among many other disabilities, Russian industry suffers from lack of workers. The bestial conditions of life in the towns force workmen to seize every opportunity to take refuge in the country. Russian towns are becoming more and more depopulated, and in consequence the difficulty in supplying factories with labour increases every month. The demand for labour has risen 2,325 per cent. in the period from January to September. Although the supply has increased somewhat owing to the crop failure, which threatens

the country as well as the towns with famine, it is still far from being sufficient to cover the demand. The gradual development of the situation in the Moscow labour market during the first nine months of the year 1920 is shown by the following figures :[1]

	Demands per 100 offers.	*Satisfied demands per 100.*
January	127·87	80·11
February	112·37	84·64
March	120·89	83·37
April	147·47	81·05
May	121·28	83·47
June	113·46	91·90
July	128·38	76·45
August	163·00	61·19
September	187·02	52·83

It will be observed that only a trifle over one-half the demands were satisfied in September. The tension increased, especially after July. There were 30,154 vacant places for workmen registered at the beginning of September; the supply of labour in the course of the same month was 19,693, but the demand reached 36,729, and at the end of the month 39,491 places remained unfilled. The number of vacancies thus increased during the month of September by 31 per cent. The demands were divided among the different branches as follows :

	Number of vacancies at end of		*Percentage of whole number.*
	August.	*September.*	
Metallists	9,793	11,105	28·1
Textile industry	249	1,086	2·8
Dressmaking trade	2,261	4,128	10·4
Leather trade	574	3,433	8·6
Building trade	1,650	3,045	7·7
Soviet employees	4,149	3,406	10·9
Servants	919	2,294	6·0
Journeymen	6,544	4,460	11·3
Other trades	4,114	5,634	14·2

This table shows that the demand for journeymen alone marked a decrease during September. In all other trades the

[1] *Economic Life*, November 4, 1920 (no. 247).

demand for labour increased at a rapid rate; only the number of Soviet employees remained approximately the same. Most difficult to cover was the shortage of metal workers, which suffered more than any of the group of factories working under pressure for the re-establishment of railway transport.

The condition of industry in the Petrograd district is revealed by the following notice in the Red paper, *Krasnaia Gazeta*:

'The Petrograd works are passing through an acute crisis owing to the lack of fuel and labour, which paralyses industry. Eighty-seven thousand workmen and at least 248,000 cubic *sagens* of firewood are required for the year 1921, but there are only 50,000 workmen available, and it is scarcely possible to obtain more than 10,000 cubic *sagens* of wood monthly. If we would not perish in 1921 we must at any cost increase the activity of our factories.'

The Soviet authorities complain bitterly of the shortage of labour and especially of the desertion of workmen from the cities to the country. As an instance, the *Economitcheskaia Shisn* reports that the Ayvaz factory in Petrograd, belonging to the so-called 'highly important group', cannot start work owing to the lack of labour. 'Through uncommon efforts', writes the paper in question, 'the factory succeeded in raising the number of workmen from 45 in July to 90 in September, but this is far from being enough. . . . It is curious to note', continues the paper, 'that up to this time the factory has not obtained a single workman from the Department for the Distribution of Labour.' Leave of absence granted to numerous workmen and a high percentage of absentees are common facts in Russian industry. No. 226 of *Economic Life* contains a very interesting report of authorized agents for the Commissariat of Communications in regard to the reasons that prevented the carrying out of the programme at the so-called 'storm transport works',[1] which belonged before the Bolshevik revolution to the largest in Russia. The reasons given are as follows:

[1] Factories considered as particularly important for the Bolshevik State's welfare and working, therefore, with intensity.

1. Koolebiansky Works: shortage of labour; insufficient food supply for the workmen.
2. Sormovo Works: shortage of labour, particularly of skilled workmen; avoidance by workmen of all overtime work.
3. Mytishtchi Works: general lack of labour and high percentage of absentees (40 per cent. in July, 33 per cent. in August); unpunctual food supply for workmen; irregular supply of raw materials.
4. Tver Works: lack of labour.
5. Kolomna Works: general lack of labour and high percentage of absentees (25 per cent.).
6. Former Rosenkrantz and Kolchooguin Works: general shortage of labour, particularly of skilled labour; interruption in the supply of raw materials.
7. Briansky Works: shortage of labour in general and very high percentage of absentees (50 per cent.); lack of food supplies; interruption in the supply of raw materials.
8. Vyksunsky Works: general lack of labour and high percentage of absentees; lack of food supplies; lack of naphtha and other fuel.
9. Taganrog Works: three principal reasons—shortage of labour, high percentage of absentees, and lack of fuel.
10. Westinghouse Works: shortage of firewood.
11. Podolsky Works: shortage of skilled labour; very high percentage of absentees (60 per cent.).
12. Makeiev Works: shortage of skilled labour; high percentage of absentees; insufficient food supply; insufficient supply of clothes; shortage of coal.

The desertion of workmen to the country is explained primarily by the terrible conditions under which they are obliged to work.

At the Leather Workers' Congress in Moscow at the beginning of October, Mr. Rykoff made the following statement:

'Our supply of naphtha from Baku is threatened, as our sailors and longshoremen cannot work barefoot. I have received a telegram from the coal mines to the effect that the

workmen refuse for the same reason to descend into the mines. A similar situation exists as regards the truckmen and in almost all branches of trade.'

In regard to the question of footwear, Rykoff declared that—

'During the last two months (September and October) we have been able to distribute only 30,000 pairs of shoes among all the workmen and peasants of the Republic. It is to me quite clear that the whole production of Soviet Russia is thereby threatened. I have personally visited a large number *of manufactories and have seen workmen in attendance on* Martin furnaces perform a considerable part of their work barefoot. This can be done for a short time in warm weather, but it would be utterly impossible for longer periods or in winter.'[1]

This avowal of Soviet Russia's 'economic dictator' needs no comment.

In the effort to characterize the situation in the different branches of industry, we shall begin by offering certain information referring to the textile industry. The manufacture of cotton holds chief place in this industry as regards importance, the three departments of which are spinning, weaving, and dyeing. During the first half year of 1920 about 21 factories were active in the cotton textile industry, with a total of 406,285 spindles.

	Number of factories.	*Number of spindles.*
January	27	526,351
February	27	513,101
March	25	489,769
April	18	380,449
May	15	265,010
June	13	262,129

Before the War Russia possessed approximately 9,220,000 spindles.

[1] *Economic Life*, no. 223.

The quantity of yarn produced is as follows:

	Poods.
January	42,520
February	52,175
March	55,622
April	21,631
May	17,474
June	18,266
Total	207,688

This is 2 per cent. of the product of 1914.

Thus, the number of working spindles has decreased by half in June as compared to January, and the quantity of yarn has decreased 57 per cent. The average number of textile factories at work during the half year was 26, with 14,600 looms.

	Number of factories.	*Number of looms.*
January	30	20,100
February	29	15,900
March	34	24,200
April	27	15,400
May	20	11,700
June	14	5,900

Therefore, the number of looms in operation decreased in June 70 per cent. as compared to January.

Pravda (The Truth) published on August 22 an extensive report of the National Economy Council in regard to the situation of the textile industry in Petrograd. In the first half year of 1920 only three factories of those producing hydropical cotton wool were in operation. Only half of the allotted work was accomplished. Not more than 13,900 *poods* of cotton wool were delivered.

Of the spinning mills only three are at work three days in the week, and even then on a very limited scale. These mills suffer from lack of spools. The Nevski factories produce only plain thread. How greatly industry has decreased may be judged by the output of the three above-mentioned mills to-day as compared with their output before the war: 1,500 gross per day at present, 1,000,000 gross per day before 1914.

We are indebted to *Izvestia* of August 31, 1920, for certain

information concerning the state of industry in the upper Volga region. The worst condition is that in the textile branch. In Ivanovo-Voznesensk all the factories, namely 18, are idle, and there is no hope of renewing their activity either in the immediate or even in the distant future. The textile industry is in no better state in the other Volga regions. The largest factories are idle. In the Jaroslavski plant only one quarter the usual number of workmen are employed. Famine has led the workmen to desert the factories.

The Moscow *Pravda* declared on July 18 that, as regards the textile industry, we have come to such a state of destruction and exhaustion of resources that only a powerful effort can restore the industry to its former condition. The destructive process in the textile industry was operative ceaselessly in 1918 and 1919. On December 31, 1919, 498,000 spindles were in operation in the cotton industry, i.e. 7 per cent. of the whole number, and 30,000 looms, or 16 per cent. of the whole number. In the wool industry, in December 1919, 143,000 spindles were in operation, i.e. 36 per cent., and 5,000 looms, or 27 per cent. of the entire number. In the flax industry, on November 20, 1919, 757,000 spindles were in operation, i.e. 87 per cent., and 9,000 looms, or 73 per cent. of the whole number.

According to the January estimate of 1920, 1,000,000 spindles and 44,000 looms were apportioned to the work. But as early as May this number was decreased to 500,000 spindles and 20,000 looms, and even this programme was carried out only to the extent of 51 per cent. On June 1, 1920, only 260,000 spindles and 11,000 looms were in operation.

Wool is manufactured in 62 factories. One million *arshins* of fibre were produced monthly in the Penza region during the second half year of 1919, but only 400,000 *arshins* in May 1920. In view of the critical state of the textile industry, the Soviet authorities are using all possible means for increasing the productive power in this branch.

At the joint meeting of the textile council of the Central Productive Commission and of the Glavtop[1] reports were

[1] Central Direction for Fuel Supply.

made by the production departments of the Glavtextil (chief textile department) concerning the production estimate and the actual development of textile industry in 1921.

In these reports a tentative plan for examination and adoption is offered for establishing a maximum and minimum of production. Investigation as to the carrying out of a previously projected plan and regarding the development of the cotton industry shows that this development continues, although at the cost of great effort. About 400,000 spindles are in operation, and a series of factories have started work. The greatest obstacles are the lack of fuel supply, workmen, and a reserve of tools. After an exchange of opinions, the following points determining the work of the Glavtextil as affecting the production estimate for 1921 were established:

1. It is necessary to make every effort to find means for increasing production in the textile industry and for bringing it to its highest state of development.

2. Wool and flax manufacture are to be regarded as chief and fundamental branches of industry. They must have their full supply of materials, and are to be provided with fuel before all others.

3. Special effort is necessary for the development of the cotton industry.

As regards general measures for securing normal work in the textile industry, it is necessary, owing to the lack of qualified workmen—

1. To propose the organizing of a preparatory school for workmen.

2. To request the militarization of the textile industry.

3. To determine the exact number of engineers and technicians capable of independent work in the field of textile industry for the purpose of re-establishing it, and also in order to increase working power by the assignment of proper tasks.

We shall now describe the state of the so-called 'heavy industry'. In this branch first place belongs to the *Gomza*, or chief administration of the united engine-building factories of the State. All reports as to the activity of factories which

belong to the *Gomza* unite in bearing witness that the general conditions of labour are highly unsatisfactory: a constant lack of workmen, a frequent and painful lack of fuel, and a critical state as regards the furnishing of food.

The metal department of the Supreme Council of National Economy has issued certain information regarding the output of 14 of the intensively working factories connected with railway transport during the second half of the year 1920. These results are given in the following table published by the *Economitcheskaia Shisn*:

FACTORY PRODUCTION, 1920

	Programme of output.		*Actual output.*		
	Number.	*Poods.*	*Number.*	*Poods.*	*Percentage of programme*
New locomotives (engines)	18		9		50·0
Narrow-gauge locomotives	19		19		100·0
Repaired locomotives	120		108		90·0
New railway carriages	190		202		106·3
Repaired railway carriages	2,055		1,233		60·0
Snow ploughs	90		108		120·0
Cast steel for engines		84,200		69,570	82·6
Cast steel for railway cars		100,470		44,925	44·7
Forged iron for engines		39,090		13,667	35·0
Forged iron for railway cars		263,935		94,784	36·0
Wheel rims		250,000		154,520	63·8
Smoke-absorbing pipes		96,000		56,835	59·2
Axles and wheels		47,938		41,333	86·5
Bolts, screws, etc.		165,675		117,906	71·4
Iron and steel		541,770		485,192	84·0
Copper parts		89,000		17,412	19·6
White metal (tin)		90,000		9,478	10·5
Pumps		26,651		13,740	51·5
Brake parts		32,000		17,350	54·2

On the whole, the Bolshevik paper is well pleased with the results of the output. It does not further explain the difficulties that were encountered in carrying out the labour programme for railway cars, snow ploughs, and narrow gauge engines. It points out merely that the programme could not be adhered to because of the transfer of the Westinghouse factory to Jaroslavl.

During the first half year of 1920 the following products were

obtained from the Oural: coal, 27,000,000 *poods*, or 69·7 per cent. of the intended production; iron ore, 3,900,000 *poods*, or 15·5 per cent. of the intended quantity; salt, 2,600,000 *poods*, or 55 per cent. of the intended quantity; gold, 5 *poods*, or 10·5 per cent. of the intended quantity; platinum, 5 *poods*, 26 lb., or 11 per cent. of the intended quantity.

According to No. 194 of *Pravda*, only 2,300,000 *poods* of cast-iron, instead of the 9,000,000 provided for in the programme, were melted on the Oural during the first half year of 1920. Taking the months in turn, we see that the output is declining. Thus, if the output for January is taken as 100 per cent., February gives 71 per cent., March, 84·12 per cent., April, 79·92 per cent., May, 71·3 per cent., June, 62·4 per cent. This decrease of the output must be attributed chiefly to the fuel crisis. There were 12 blast furnaces in operation in January. This number had decreased to 6 by July 1.

A well-informed Bolshevik agent, Kolegaiev, writes as follows in the *Moskovskaia Pravda* [1] concerning the general state of the iron industry: In October the quantity of cast-iron obtained amounted to 97 per cent. of the intended production, while in September it amounted to 81 per cent. Wrought iron in October gave 38 per cent. as against September's 40 per cent.; the quantity of bolts and nails in this month amounted to but 15 per cent. of the intended production, as compared to 21 per cent. in September.

During the month of October, says the author, more material was used in repairs connected with transport than was produced. The chief reason is not the lack of skilled or unskilled workmen but of fuel. The 'Donbas' (region of the Don) cannot satisfy the most trifling demands for coal. In the south some of the iron works are idle for lack of fuel.

It is, therefore, not to be wondered at that in December 1920 the Supreme Council of National Economy issued an order for the most resolute measures to be taken to allay the impending iron crisis, which has now lasted for several years. The same order enjoins the saving and use of all metal frag-

[1] 7. XII.

ments and unquestioned obedience to the regulations of the Ousmet (management of metal industry supplies).

In order to form an accurate conception of the state of the Russian iron industry, let us examine the Bolshevik statements in regard to the conditions existing within the various branches. First, as to the production of manganese ore. Before the war, Russia occupied the leading place as provider of the world's market. Russian manganese ore was found in three regions: in Tchiatouri in the Caucasus, in South Russia close to Nikopol on the Dnieper, and in the Oural. The richest mines are those of the Caucasus, but they have been lost to Russia since the independence of the Georgian Republic was recognized. Of the other two regions, that of the Oural has but small significance; the most important region, therefore, for Soviet Russia is that of Nikopol, in the government of Ekaterinoslaff. The Caucasus has produced 970,000 tons of manganese ore; Nikopol, 260,000 tons; and the Oural, 16,000 tons.

While the product of the Caucasian manganese mines was, to a great extent, exported abroad for the use of West European countries, that of the Nikopol region was absorbed almost exclusively by the Russian iron industry. In 1911 four companies were employed in working the Nikopol manganese mines, one of which was the *Société Métallurgique Dnieprovienne du Midi de la Russie*, a Belgian joint stock company with a capital of 26,250,000 francs. Eighty per cent. of the shares were in Belgian possession, while the rest was, for the most part, in German hands. Another company interested in working the Nikopol mines was the Nikopol-Mariupol Mine and Furnace Company.

Economic Life[1] gives certain information concerning the present condition of the Nikopol manganese region. Nothing remains at present of the once flourishing industry of Nikopol. Under the Bolshevik régime the region has come to a state of utter desolation. The principal district has now seven mines, but all of them, including the Pokrovski mine, belonging to the above-mentioned Nikopol-Mariupol Mine and Furnace

[1] December 21, no. 287.

Company, are submerged. Nothing remains of the costly technical outfit of the mines. The technical material is in a better state in the Gorodishtshenski mine, where a gas motor of 400 horse-power is to be found. Matters stand very badly in the Krasnogrigorievski mine, where the outfit has been partly stolen and partly reduced to such a condition that its speedy restoration is out of the question. The same disastrous condition is to be observed in the Novonikolaievski mine. If work is to be resumed it must be first in the Pokrovski and Gorodishtshenski mines, and then only if the necessary labour can be obtained. The Pokrovski mine is the most important, for although its technical outfit is of the most primitive kind, it is unflooded, and has a comparatively large stock of ore in its lower parts. The entire stock of ore in the Nikopol region as a whole is estimated by the Bolshevik paper at about 8,000,000 *poods*, and the publication itself points out that this stock is of slight importance when compared to the 4,000,000 to 5,000,000 *poods* of monthly output before the war.

Summed up, the report of *Economic Life* may be stated as follows: Under the Bolshevik Government the mines of the Nikopol region have come to a standstill. They are under water, their implements have been stolen, and the resumption of work is out of the question.

Rich iron mines are found in the region of Ekaterinoslaff (South Russia) in the district of Krivoy Rog. These mines were of capital importance for the industrial district of the Donetz basin, which contains practically no iron ore. In No. 255 of *Economic Life* we find an article describing the ruin of this highly important centre of Russian industry. All mines are under water, the technical outfit is only 40 per cent. usable even according to the most optimistic estimates, 20 per cent. of the engines require partial and 30 per cent. thorough repairs, while 10 per cent. are entirely useless. The work buildings and dwellings are everywhere half destroyed, the wooden structures, fences, and wooden parts of massive buildings have been used for firewood and burnt. According to *Economic Life*, 'the Krivoy Rog makes the impression of a corpse'. Formerly, the

district employed 25,000 workmen, but only 1,000 are there now. On October 7 the same paper gives some facts regarding the construction of agricultural machines and implements. During the period of nine months, from October 1, 1919, to July 1, 1920, it appears that only 2,471 reaping machines were manufactured, 683 mowing machines, one machine for the sowing of grain, 496 thrashing machines, 24,127 ploughs, 1,567 winnowing machines, 574,100 scythes, etc.

After giving the above figures, the paper points out the enormous need for agricultural machines, and asks this question: 'Where can the needed 32,000 sowing machines (reckoning on the basis of last year's experience) be found, when only one has been constructed, or how shall the need of 687,000 ploughs be met when only 24,000 have been produced, or the required 36,000 harvesting machines be obtained, seeing that construction amounts to only about 3,000?' It is stated further that a whole series of important factories have ceased operation and that repairs are proceeding very unsatisfactorily owing to the lack of materials and of labour and to various other reasons. Holding the view that agriculture can be rehabilitated only through the general use of machines, *Economic Life* declares that the shrinking of the cultivated areas 40 to 50 per cent. is to be in great part explained by the lack of machines.

Miliutin, the Vice President of the Supreme Council of National Economy, in Number 275 of the Moscow *Izvestia* utters a complaint at the decrease in the number of workmen, especially of skilled workmen. The unfavourable effects of this phenomenon are emphasized by the failure of workmen to appear at the time agreed upon and by the lowering of their capacity for work. In order to characterize the general condition of Russian industry, Miliutin offers certain facts in regard to the situation in the most important electric works, those of Siemens-Schuckert in Petrograd, the 'Dinamo' in Moscow, the 'Volta' works, and those in Kharkov. In 1913 these factories together employed 4,600 workmen; in 1920 this number had decreased to 1,150. The number of hours of work had reached 12,000,000 in 1913,

but it did not exceed 1,000,000 for the first eight months of 1920.

The total mechanical power of the electro-motors and transformers constructed in 1913 equalled 356,000 kilowatts; the corresponding figures for the first eight months of 1920 being only 13,000. This comparison shows that the number of workmen has been reduced in a ratio of one to four, the number of working hours of one to eight, and that the productive capacity is 16 times less than formerly. Miliutin remarks that these figures need no commentary.

The Moscow *Izvestia*[1] publishes a report of the Bolshevik Vashkov concerning the condition of the electric industry in Soviet Russia. This report is well calculated to destroy the constantly recurring legend regarding the imposing work of electrification which is supposed to have been undertaken in Russia. Vashkov declares openly that Russia stands face to face with an absolute exhaustion of all raw material required by the electric industry, and that the maintenance of the existing electric installation is rendered possible by primitive handicraft measures. The author's pessimism is confirmed by the figures of the report. While 32,000 workmen were still employed in the electric industry in the spring of 1920, this number has fallen at the present time to 7,000. All skilled specialists are foreigners. Not even half of the production programme for 1920 has been actually carried out: 45 per cent. of the estimated work has been performed by the high-power plants, 31 per cent. by the low-power plants, 25 per cent. by the cable section, 4 per cent. by the incandescent lamp section, 25 per cent. by the accumulator section, and only 10 per cent. by the Petrograd fitting section.

The Soviet Government has associated six of Petrograd's electro-technic works—the dynamo factory of Siemens-Schuckert and of Siemens & Halske, the North Cable Works, the Erickson, Tudor and Svetlana factories—into a so-called 'storm' group. The situation in these plants, as well as in the other electro-technical factories in Petrograd, is set forth in an

[1] No. 21, February 1, 1921.

interesting article in *Economic Life*,[1] based on the material gathered by a special commission which had been appointed to investigate the activity of the Electric Trust in Petrograd. The text of the article is as follows:

The investigation has shown that the electro-technic factories are functioning very unsatisfactorily and that their productiveness can be described only as *imperceptible* when compared to that of peace times. The percentage of engines in use is exceedingly low. In Siemens-Schuckert's dynamo works only 60 machines out of 611, or 10 per cent., are in operation. In the Siemens & Halske factory, likewise included in the 'storm' group, only 15 or 20 per cent. of the high-power engines, which number 1,100, are being utilized. The activity of the third factory belonging to this group, that of Erickson, is still less. The number of machines utilized is somewhat in excess of 5 per cent.

The remaining electro-technic factories in Petrograd, which do not belong to the 'storm' group, are functioning in the main very unsatisfactorily. The utilization of machines in the 'Deka' factory was 3 per cent., in the Heisler factory 20 per cent., and in the Electric Energy factory 50 per cent., although strictly speaking this last establishment is merely an electro-technical laboratory. The utilization of machines in the factories 'Biz' and 'Bogdanov Company' is 5 and 14 per cent. respectively.

The Bolshevik paper considers the shortage of skilled workmen to be the chief cause of such low productiveness. All factories, without exception, suffer from this lack. As an illustration, it may be stated that at present 217 workmen are actually employed in Erickson's factory, and that 879 additional men are needed to carry out the very modest production programme for the second half year.

Number 212 of *Economic Life* presents some interesting statistics concerning the condition in the sugar industry. The area of sugar plantations during the present year is only 150,000 *dessiatines*, being 22 per cent. of the space devoted to the same purpose in 1913, while 378,000 *dessiatines* were last year under

[1] No. 287, December 21.

cultivation. The production of sugar has decreased in the same ratio. The output in 1919 amounted to only 6 per cent. of the average output prior to 1917. The expected output for the present year is 9,000,000, namely, 12 per cent. of that obtained in pre-revolutionary days. The following causes have brought about this total collapse of the sugar industry: the plunder of live stock and other property on the estates, the supplying of factories with only 5 per cent. of the actual need in fuel (in 1919), and the lack of workmen. The situation in the sugar industry shows no improvement during the present year; only at certain points are the imperative orders of the Narkomprod (National Commissariat of Food Supply) obeyed, while the local authorities arrest the managers of the factories because the latter refuse to give them sugar. A large amount of beet-root has been lost owing to the lack of workmen. At the present moment, also, great difficulties are encountered in the digging and harvesting of beet-root. *Economic Life* asserts that unless extraordinary measures are taken the entire crop may be lost.

Certain information concerning the state of the manufacture of paper and of the activity of the Glavboum (Central Paper Committee) is contained in the *Izvestia* (December 16). Before the war Russia produced 24,000,000 *poods* of paper per annum, and imported 8,000,000 *poods* from Finland, or a total of 32,000,000 *poods*. The proletarian State had at its disposal from January 1 to June 1, 1920, 900,000 *poods*, or 150,000 *poods* per month, which is but one-fifteenth of that of former times. War has destroyed the large cellulose factories, annihilated Poland's industry, wiped out the supply, interrupted the acquisition of raw materials, and damaged the technical outfits. Despite all this, however, *Izvestia* declares that a much greater quantity of paper might have been produced even with the existing means.

The decline of labour is generally accepted as the consequence of the exhaustion of the workers, but actual conditions have exceeded all expectations. Before the war Russia's paper manufactories, numbering between 130 and 140, employed 25,000 workmen and produced 24,000,000 *poods* of paper. The

average output per worker amounted to 900 *poods* of paper per annum.

In 1920, there were employed 20,000 workmen in the paper industry. The output is 900,000 *poods* of paper for five months, or about 2,000,000 *poods* a year. This means that each workman produces 100 *poods* per annum, or but one-ninth of that produced before the war. The article in question declares these figures to be overwhelming, 'that it is to be doubted whether conditions would be worse were there no management to superintend the production.'

Concerning the salt industry, the *Pravda* [1] contains the following communication:

'The insignificant output of salt during the preceding year, 1920, on the Baskuntchak Lake (the most important source of salt supply for Central Russia) threatens to produce a salt famine of unusual severity in the years 1921 and 1922. During the preceding season 4,300,000 *poods* of salt were obtained from the Baskuntchak, whereas in 1919 the output amounted to 9,808,000 *poods*, in 1918 to 23,680,000 *poods*, and in 1912 to 35,700,000 *poods*.'

As to the salt industry in the Ukraine, *Economic Life* [2] writes as follows: The Bakhmut region has nine salt pits well provided with machinery that can satisfy all the demands of the Ukraine and Great Russia and still show a certain surplus. From January 1 to November 1, 1920, the entire region of the Ukraine (Bakhmut, Slaviansk and Odessa) has registered the following output: Bakhmut region, 6,850,588 *poods*; Slaviansk, 886,313 *poods*; and Odessa, 1,240,767 *poods*. The consumption for Russia as a whole is 50,000,000 *poods*. The surplus salt amounts to 21,000,000 *poods*, but it cannot be exported owing to the disastrous condition of the railways.

The Bolshevik tobacco factories are the only undertakings which can boast of a relatively large output. The production programme for August has been very nearly carried out by the factories. The following figures are taken from No. 240 of *Economic Life*:

[1] No. 25, February 5, 1921. [2] No. 3, 1921.

The tobacco factories in Moscow, Petersburg, and Kursk were called upon in August to furnish an output of 532,000,000 cigarettes. The actual output amounted to 507,779,000, or to 95·5 per cent. of the programme. The output of *mahorka* (tobacco of the lowest quality) amounted to 51,450 *poods*, or 89·4 per cent. of the intended output. Only in the case of snuff were expectations not realized, as but 1,500 *poods* were produced instead of the desired 4,000 *poods*, or 39·8 per cent. In December 1920, *Economic Life* stated that the Ukraine possessed 39 *mahorka*, and 42 tobacco factories. The technical condition of these factories is, on the whole, satisfactory, yet 75 per cent. of the machines require repairing. The tobacco industry in the Ukraine has suffered but slightly during the war. The Commission of the Supreme Council of National Economy has decided to set 29 factories in operation, among them 8 'storm' factories, namely, those working under high pressure. The industry is well provided with the necessary raw material. The Ukraine stock of *mahorka* amounts to 2,000,000 *poods*, while the Kuban has 2,000,000 in addition.

We can judge of the building industry in Russia by the following information regarding Moscow: Conditions in this industry, according to the *Moskovskaia Izvestia* of November 21, were most unfavourable. A great number of buildings had been demolished, and there was an acutely felt lack of dwellings. Hundreds of houses were destroyed, the water conduits ruined as well as the heating apparatus. The latest investigation has shown that 14,448 water plants have been destroyed in houses. In addition to the destruction of the water system, 9,158 lavatories are out of repair. Sixty-nine per cent. of the heating plants proved to be quite useless. A great increase in the homeless population is shown by investigations. During the previous winter 2,500 dwellings were razed, and 350 destroyed by fire. The means for building are insufficient for the demand. The generally bad state of labour is reflected in the anarchy of the building industry. Various commissions work independently, without a common plan. Contractors profit enormously and exploit the workers. The demand for material is met by the

hief central committees to the following extent: 1·5 per cent. f the order for piping was satisfied; 0·5 per cent. for fittings nd fixtures; while that for pumps and pottery, pipes, and ubber goods was quite neglected. Water connexions, heating, analization and general repairs were carried out for 45, 30, 25 and 40 per cent., respectively.

The above statements concerning the state of the different branches of industry show plainly that the disorganization of economic life in the Soviet Republic has reached its climax.

Economic Life writes under date of October 24, 1920:

'The destruction has become so great that enterprises for intensive activity have arisen everywhere—in the effort to check destruction, a certain number of enterprises, called "armoured" or "cuirasse", were separated from the rest. When, however, the Soviet authorities proved unable to furnish the necessary implements to these "armoured" enterprises, certain of them were set apart as so-called "storm" undertakings. Up to the present time special attention has been devoted to transport. We now face the necessity of reorganizing the water transport. In view of the necessity for intensive or "storm" efforts, we must set aside the necessary elements for the re-establishing of this branch of transport. For six years our ship-building has been at a standstill. In September 1920 only 2,560 ships of the existing steam fleet were in operation. Among ships not driven by steam only 4,051 were in active service from the whole fleet of 11,898 ships.'

It was easy to foresee what has actually happened, namely, that the system of 'storm' factories introduced by the Soviet authorities would only serve to render the disorganization still worse, instead of mending matters.

Economic Life of October 24 contains information regarding the work of seven 'storm' factories in the south. The following figures show the nature of this work. From July to September the factories were called upon to repair 115 engines (locomotives), but they actually repaired only 26. But 24,000 *poods* of cast-work for locomotives, instead of the estimated 198,000 *poods* were furnished, while only 6,000 *poods* of wheel rims were

delivered to meet the demand for 410,000. Forty-nine thousand *poods* of cast-iron were produced, instead of the required 1,500,000 *poods*.

The fuel supply for these factories, notwithstanding their status as ' storm ' factories, was decidedly insufficient.

The effort to stem economic disaster became more and more hopeless, mainly because of the unprecedented decline in the productive capacity of labour.

Mr. Larin, in the Red paper, *Krasnaia Gazeta* of November 5, 1920, in summing up the achievements of Soviet labour, declares :

' The average output of each workman does not exceed 45 per cent. of the pre-war output. Fifty-eight days of the year are lost because of the factories standing idle ; 19 days owing to illness; 35·5 days for various reasons ; and 65 days on account of holidays. All together, only 187·5 days of the entire year are given to work.

' The working day consists of 8·6 hours. It must not be forgotten, in addition, that leaves of absence have been numerous. The decrease in labour's producing power is explained by the exhaustion of the workers. Each workman requires 3,820 calories (or heat units) ; but in 1920 the workers received from the state and free market taken together only 2,980 calories of food units daily.[1] In 1919 they received only 2,680 calories, yet the capacity of each worker has decreased in 1920 as compared with that of the previous year.'

Such are the results obtained by the nationalization of industry and by the absence of any definite plan of State economy. The Soviet Government's political system looking to the expansion of the nationalized sphere of Russian industry is interesting in this connexion. The Bolshevik Miliutin, a member of the Supreme Council of National Economy, has published a brochure containing an outline of the nationalized and non-nationalized enterprises in Soviet Russia up to February 1, 1920. This outline shows that the two classes are nearly equal in number. On February 1, 1920, there were 4,273 nationalized,

[1] This refers to the workers in the ' cuirassed ' enterprises.

and 4,609 non-nationalized enterprises. The small enterprises, it is true, occupy an important place in the non-nationalized industries. Only the paper industry, the polygraphic trade and fuel production were completely nationalized at the time referred to. The first of these three branches embraced 146 enterprises, with 34,823 workmen; the second 32 enterprises, with 35,564 workmen. Nearly complete nationalization has been carried out in the mending, smelting and salt-producing industries, which show but 6 non-nationalized enterprises as against 81 nationalized. The chemical industry is three quarters nationalized. The textile industry has 615 nationalized enterprises with 377,348 workmen, and 232 non-nationalized with 36,664 workmen.

The Bolsheviks have not yet achieved such complete results as regards the nationalization of other branches. In the stone and excavation industries—to which belong the 'slate central,' the 'cement central,' the 'building central,' the 'glass central,' the 'oil slate central,' etc.—the number of non-nationalized enterprises is in the majority, owing to the distribution in the 'building central,' in which 258 enterprises only are nationalized as against 543 non-nationalized. In the other 'centrals' the number of nationalized predominates. The greatest number of non-nationalized enterprises is shown by the 'smoke-dried-wares central' (in the branch of trade called 'working of cattle-breeding products'), the figures here being 2,075 non-nationalized and only 16 nationalized enterprises.

In view of the importance of the iron and allied industries, we give herewith unabridged Miliutin's figures for that branch:

	Nationalized.		*Non-Nationalized.*	
	Enterprises.	*Workmen.*	*Enterprises.*	*Workmen.*
Metals section	247	64,381	117	4,629
Copper central	6	3,171	4	19
Metal trust	12	57,795	—	—
Nail central	9	1,563	2	37
Agricultural machines	205	8,077	15	2,203
Motor-car section	23	—	—	—
Coloured metals	13	2,054	440	22,141
Electro-technic	38	19,105	23	388
Total	553	156,146	601	29,417

Since the motor-car section has no workmen at its disposal, it is clear that construction of motor cars lies beyond the possibilities of Russian industry.

Such were the figures at the beginning of 1920. In the course of that year a further nationalization of industry took place, and at the end of the year the Supreme Council of National Economy issued an order prescribing the nationalization of all industrial establishments with more than five or ten workmen. According to Rykoff, the Chairman of the Council in question, in November more than half of the medium-sized and small industries still remained unnationalized. Rykoff explains this condition by the fact that Local Economy Councils had not yet sufficiently developed their activity. He thinks, however, that decisive measures should be taken. The working capital of all medium-sized and small enterprises is to pass into the hands of the State. Managers and employees are to be paid like public functionaries: they are responsible for the enterprise so long as it has not been taken over under the direct administration of the State. Enterprises may be managed by their former owners only on special authorization of the President of the Supreme Council of National Economy.

The Moscow *Izvestia* published on December 15 an article by an engineer complaining that the above drastic measure had been adopted without previous discussion in the press. The author considers such measures to be untimely, that the widening of the scope of nationalization should have taken place only after an increase of production in those enterprises already nationalized. He believes also that the nationalization of the medium-sized and small enterprises will cause an immediate depression in their production.

Much was spoken and written in Soviet Russia in the year 1920 on the subject of electrification, which many Bolshevik authorities consider the panacea for all evils. Projects and reports were read at various congresses on the necessity of electrification in various branches of industry; these schemes of the Bolshevik potentates, although grandiose and mainly utopian, are not without interest. The following are the leading

features of a plan for Russia's future electrification presented by Mr. Graftio, the Director of the Electrification Section of the Commissariat of Communications, to the Congress of Railroad Managers in October 1920. After some introductory remarks in regard to the necessity of combining the electrification of railways with the general electrification of industry, Mr. Graftio exposed his plan. North Russia, he said, should, as the first step, be electrified, and at the same time the Petrograd harbour widened, in order to facilitate exportation of the products brought from the interior by the electric railways. After having carried out this first undertaking, the Soviet Government, he said, should apply electricity to the entire Central Industrial District and adopt plans for that purpose for the creation of numerous central country stations with 100,000 to 150,000 horse-power. In the third place comes the electrification of the Donetz district. The whole of South Russia is to be covered with a thick network of railways, which the author of the project already sees in imagination carrying the goods intended as supplies for that region. The vast undertaking is to be completed by the electrification of the North Caucasus and the Oural district.

A great deal of attention was devoted to the question of electrification by the Eighth Congress of the Soviets. Lenine himself, who is a fanatical partisan of this idea, sketched a brilliant perspective, estimating thus the importance of electrification:

'The rehabilitation of our national economic strength is possible only by means of electrification. In order to crush capitalism completely we must become economically so strong that all thought of restoring the capitalistic system is unimaginable.

'Agriculture through small holdings can be supported by one means alone: that is, by placing the national economy of the land, including the entire system of rural economy, on the same technical basis as the great modern industries. That basis must be electrification. Communism is the power of the Soviets plus the electrification of the entire country. The victory will be definitely ours only when the whole country has been

electrified. For this process no less than ten years are required at a cost of 1,200,000,000 gold rubles. We have no such sum of money at our disposal, neither can we meet the expense by supplies of food. Therefore, seemingly the only way that remains is by the granting of concessions.

'At the opening of a village electric station a peasant remarked: "We have always lived in darkness, but now an unnatural light has enlightened us." Certainly, not this light, but the fact that the peasants lived in darkness was unnatural. We must bring it about that each electric station shall be a centre of instruction. If Russia is once covered with a network of such stations, our communistic economy and management will become an example for Europe and Asia.'

The Congress of Soviets, after hearing the reading of the report on electrification, passed a resolution containing among other points the following:

'The Congress considers the plan for Russia's electrification as drawn up by the State Commission for Electrification, on the initiative of the Supreme Council of National Economy, to be the first step in a great economic undertaking. The Congress further instructs the Government, and requests the All-Russian Central Trades Union Council and the All-Russian Trades Union Congress, to take measures for a widespread propaganda for this plan, in order to acquaint the masses both of the cities and country with it. Interest in the plan must be aroused in all the schools of the Republic without exception. Every electric station, every factory in any wise capable of functioning, every Soviet farm must become a centre for the spreading of a comprehension of electricity and of an elementary knowledge of its manifestations.

'The Congress commissions the Council to elaborate a decree in regard to the general mobilization of all persons who seem by previous theoretical or practical instruction to be adapted to spreading the propaganda of electrification and to teaching in the allied branches of science.

'The Congress is thoroughly convinced that all Soviet institutions and Soviet deputies, all workmen and artisans, as well as the peasants, will lend their best efforts to the carrying out of the plan for Russia's electrification and will not shrink from

any sacrifice for that purpose, no matter how great the difficulties may be.'

In connexion with the electrification of Soviet Russia, the *Red Paper* published at the end of December 1920 the following item:

'According to the statistics of 1916, our country possessed about 250 electric stations. According to the latest information the number of public electric stations has increased to 597. This increase must be attributed to the construction of electric stations which began during the World War and to the intensive electrification carried out at the present time in the provinces and especially in the villages. In the list of stations may be found half-forgotten places with plants of 10,000 kilowatts and more.'

Among the most important achievements of the State Commission for Electrification must be noted the construction of factory stations in the region of the electric station *Electroperedatcha* (Electrotransmission), by means of which the Commission now disposes of a force of 25,000 kilowatts. The work for the electrification of the Mytishtchi water conduits and the Mytishtchi gun and wagon-building works, by means of an air line 12 *versts* in length, is now proceeding at full speed. The Kolomna works as well as the Tula district are in process of electrification, a line of 17 *versts* being near completion. The station is already being used and its size increased. The electric conduits to the Ramenski sawing plant are completed, and the line will soon be in operation. The plan has been suggested for using the same line for the electric process of peat-digging in the territory belonging to the Nijni-Novgorod Railway. A central electric supply plant is also being created for the town and district of Iver.

In the region of the State Electric Station (*Electroperedatcha*) a number of villages are already illuminated, and the project has been worked out for extensive electrification for farming purposes in the district of Bogorodsk.

Electric stations are at present being established in the

towns Grachev (Briansk county), Melenki, Oust-Syssolsk and Youriev-Polski, and in the village Kooretskoyé (Vladimir county); in the Viatka county the towns Slobodskoy and Yourievsk receive power from the station of the local textile factory, while in the Kalooga county the towns Likhvin and Meshtevsk are in process of electrification.

Fuel

The meeting of the Eighth All-Russian Soviet Congress offered to the Soviet Government the opportunity to inform the members of the Congress of Soviet Russia's economic condition. Among all the reports dealing with this subject the greatest interest attaches to those concerning the Russian coal industry, as this is the basis of all national welfare. The Moscow *Izvestia* publishes in No. 286 of December 19 a detailed extract from the report of the Chief Coal Committee to the Eighth Soviet Congress.

The coal-producing basin of the Donetz passed many times from hand to hand during the civil war which raged in South Russia, and only with the collapse of Denikin's undertaking did it come definitely under the rule of the Soviet Government, which proceeded to a thorough investigation of conditions prevailing in the coal district. As a result of this investigation, the Soviet Government was obliged to close a great portion of the mines, owing to their entire unprofitableness and unproductivity. Of the total number of 1,816 mines, 807 have been closed after investigation. The efforts of the general management are now devoted to unifying production by the establishment of technical connexion with the local management, to centralization of all technical means required for production, and to creating a basis for insuring a sufficient supply of food and clothing for the workmen.

In March 1920 four mine districts were established with separate management, but this division proved to be unpractical, as the districts were much too large. The Donetz district was therefore divided into 16 regions, each of which was placed under an independent manager. In the beginning only 45 of

the largest mines were nationalized. After nationalization of the remaining mines, the whole district was again divided into sixty sections, which were placed under the technical administration of the above-mentioned regional managers. Large powers were entrusted to the tri-member boards, which were composed of communist workmen placed at the head of each regional board.

A central managing board composed of the 16 regional plenipotentiaries settles all internal economic, technical, and administrative questions, while far-reaching decisions involving the whole State are made by the Industrial Office in conjunction with the Central Committee of Coal Industry. This latter committee characterizes the situation existing in the Donetz basin in the spring of 1920 as 'chaotic and hopeless'. Only by the greatest effort could a programme of production be elaborated and the workmen supplied with materials and food. In 1918 the district produced 551,700,000 *poods*; in 1919, 320,000,000 *poods*; and in 1920, 278,000,000 *poods*.

The Central Committee explains the decrease in production during the year 1920 by the malnutrition of the workmen and by the increasing number of absentees. Only 15 workmen out of 20 appear as a rule for work.

Although the coal of the Donetz basin was formerly absolutely high class, complaints are now made from all sides in regard to the quality of the yield. No explanation has been given as yet by the Bolsheviks of this remarkable phenomenon.

The Donetz coal district suffers from a considerable shortage of labour, as workmen remain in the coal district only in response to force, owing to the bad lodging conditions and insufficiency of food. The creation of better lodgings for workmen is, therefore, one of the chief concerns of the coal administration boards. Information was given to the Congress for Technical Leaders for the Coal Industry to the effect that 4,500 family lodgings, 2,500 dwelling rooms for single workmen, and 300 large barracks had been rendered habitable up to the first of October. By strict enforcement of the system of obligatory work, the Soviet Government succeeded in increasing

the number of workmen in the year 1920. Only 80,000 workmen were occupied in the mines at the beginning of the year, but their number in the last quarter of the same year is said to have risen to 130,000. The unfavourable comparison of the output with that of the preceding year is to be explained chiefly by the low capacity for work of the individual. A single man produced before the war 750 *poods* monthly, but in 1917 this had fallen to 448 *poods*; in June 1918 it was but 236 *poods*, and in June 1920, 220 *poods*.

The system of the administration of the coal industry in the Oural district shows in its gradual development the same leading features as in the Donetz basin; i. e. the substitution of the principle of appointment by a central authority for that of election. All mines, with the exception of those in the region of Bogoslov, are placed under the control of the Central Coal Committee. A special Oural Coal Committee was created in the spring of 1920, and in the summer received the name of 'Coal Section'. The leaders of the management are, except in Bogoslov, all communists. The principle of collectivity has been abandoned everywhere, except in the region of Kizel. From June 1919, when the civil war in the Oural came to an end, up to November 1920, the local mines produced 45,212,000 *poods*, of which total 16,911,219 *poods* belong to the second half of 1919, and 27,607,898 to the first half of 1920. The output has thus increased considerably, but if we take into consideration the fact that the output was nearly the same in the first half of the year 1919 we see that the production of the Oural mines fell immediately after the Bolsheviks came into power, and that it has begun to rise only lately.

Transport in the various regions during the last three years is shown by the following table:

Regions.	*1918.* *Poods.*	*1919.* *Poods.*	*1920.* *Poods.*
Cheliabinsk	12,000	19,300	29,120
Kizel	19,856	11,086	15,319
Bogoslov	7,570	10,489	8,400
Yegorshino	1,917	2,058	2,110

When the Bolsheviks came into power in Siberia after Kolchak's collapse, they established in December 1919 in the town Tomsk a central direction for the Siberian coal industry (Sibougol) and placed the whole of Siberia under its control. But as early as April 1920 the smaller mines were withdrawn from the administration of the Sibougol and placed under the coal department of the Economic Council. At the same time a special management (the Yourgol) was established for the Trans-Baikalian districts, together with the region of Cheremkhov. The management was collective in form, being composed of a central board of five members and of three local boards in the different regions. This organization still exists at the present time. The carrying out of systematic work was rendered extremely difficult owing to the great distance from the Central Government and to spotted fever that raged in the mine districts. Kooznetzk holds first place among the Siberian mine districts. The increase of production observed there in the first half of the year 1920 was followed by a decrease, so that the district of Kooznetzk stands now at the same low level of production as at its worst period, in January 1920. In addition to the customary explanations for this phenomenon, such as food shortage, unwillingness to work, deterioration of machinery, etc., the report emphasizes the departure of the German prisoners of war for home, adding that it proved to be impossible to replace them by local workmen. In the region of Kooznetzk 56,617,000 *poods* were transported in 1918; 49,499,000 *poods* in 1919; and 54,177,000 *poods* in 1920.

The coal mines of Turkestan are almost entirely without importance for Russia. The small quantity of coal produced does not even suffice for provisioning of the land itself. This fact is acknowledged in the report, which states that even in pre-war times Turkestan found it necessary to import 20,000,000 *poods* of naphtha, which was employed as fuel together with the local coal.

The system of collective management has been abandoned in Turkestan, and the mines are administered by a 'special plenipotentiary'. In spite of this, the report complains of the persisting

of the form of management inherited from capitalistic times, a phenomenon which must be explained by the remoteness of Turkestan.

The insignificance of the local coal production may be observed from the following figures: in 1913, 8,400,000 poods were produced; in 1916, 12,322,000 *poods*; in 1918, 8,087,000 *poods*; in 1919, 10,990,000 *poods*; and in 1920, 9,500,000 *poods.*

According to a statement in *Economic Life* of October 10, *Turkestan should have produced 12,000,000 poods* of coal in *the year 1920. This quantity was not obtained, and the* Central Coal Committee has evidently grasped the impossibility of increased production, as the programme for 1921 calls for an output of 9,600,000 *poods*, which is nearly the same quantity that was produced in 1920. The Soviet Government is now planning the construction of an elevated railway for the opening up of the Sulgukte mines, and expects to be able to increase the production of coal in Turkestan after the completion of this railway.

The Moscow district is the only one of the Russian coal districts which has uninterruptedly been in the hands of the Soviet Government. The Central Coal Committee, therefore, goes to great pains to present its activity in that district in the most favourable light, making no mention of the fact that the Moscow mines yield brown coal exclusively and asserting on the *contrary that the investigations undertaken by the Committee* have shown the coal in that district to be of an absolutely high quality. The same investigation is supposed to have reckoned the total quantity of coal in the mines at 500 billion *poods* instead of the 95 billion estimated in 1913. According to the report read at the Eighth Soviet Congress, the activity of the Central Coal Committee in the Moscow district has yielded the following results: new ventilators have been placed in the mines, two electric generating stations have been constructed, and the railways leading to the mines have been lengthened thirty-seven *versts*. The shortage of labour caused by the release of war prisoners was compensated by the influx of neighbouring peasants and river workers. The productive

capacity of the mines has been considerably increased by the zeal of these new workmen, and the Central Coal Committee entertains no doubts under such circumstances as to the possibility of carrying out the production programme for 1921.

Although the above report states with pride that the output in the Moscow district has grown twice as large as in the pre-war period, this increase is without great importance from a general economic point of view, since the district in question produced in the year 1913 only 0·9 per cent. of the total output of coal in Russia. In 1918 the district produced 23,000,000 *poods*; in 1919, 22,000,000 *poods*; and in 1920, 37,000,000 *poods*.

The region of Borovitchi (a mine district in the Novgorod county) was nationalized on November 1, 1918, and was at first reckoned to the Economic Department of the North, but was placed on July 1, 1919, under the administration of the General Coal Committee. The taking out of the coal, which is exclusively brown, was accomplished in very primitive fashion, and has given place to better technical methods only after nationalization. The district is only of local importance. The output remained on nearly the same level in 1919 and 1920, slightly exceeding 2,000,000 *poods*.

Summing up the above facts, the report expresses the hope that by extending the system of *natural premises*, as well as through better technical outfit and rational management of the mines, the Central Coal Administration will be able to re-establish in the course of the next five years the half-destroyed basin of the Donetz, to undertake the sinking of new mines, and thus to raise production to the level of the last pre-war years. (The output of pit coal in the year 1913 amounted to 1,585,468,500 *poods*.) The carrying out of this plan encounters numerous difficulties owing to the collapse of the railway transport, the entire lack of materials, and the shortage of labour and food required for obtaining such materials. If we take all this into consideration, it is plain that the hope expressed of regaining within the course of the next few years the level of peace-time production must be characterized as a Bolshevik dream.

The above official and evidently tendentious report shows that the situation in the coal-producing industry is far from being satisfactory. A truly remarkable fact is the uninterrupted decrease in the producing capacity of labour. This capacity has fallen in the Donetz basin to one quarter of its former standard: instead of 805 *poods* daily per miner as in 1913, it was but 205 *poods* in 1920. It is to be noted that a special commission was hurriedly sent on November 12, according to the *Krasnaia Gazeta,* to the Donetz basin to investigate the reasons for the abrupt decline in the collier's capacity for work. One of the most important causes is the malnutrition and the ensuing exhaustion of the workmen. The constantly insufficient nutrition of the miners, particularly of the colliers and wagoners, who daily perform hard muscular work (for instance, lying on the damp ground when working thin layers or pulling small cars loaded with coal, barefoot, in the wet mine), results in an increase of the number of absentees and in the wearing out of the miners at their most productive age. In the Donetz basin the average number of appearances for work by colliers fluctuated between 7 and 12, although the number fixed by the trades union was 18. The number of appearances of other underground workmen varied from 11 to 17, with a norm of from 18 to 20. The insufficiency of nutrition had also the result of altering the proportion between several very important categories of miners on the one hand and of various surface workmen on the other, to the disadvantage of the former. And so it was not accidental or owing to the good conditions of life that many skilled workers of the Donetz basin entered the militia.[1]

The plenipotentiary for the Naphtha Production and Exportation Branches of the Council of Labour and Defence published in December 1920 a report on the state of naphtha production in Baku at the end of 1920. Interesting extracts from this report are quoted in *Economic Life* of December 1920 (No. 283). The information contained in this report shows the effect which the nationalization of the naphtha industry had upon production.

[1] *Economic Life*, no. 160, 1920.

The first part of the report deals with the export of naphtha from the region of Baku. Before the war the main export was abroad; by means of a special naphtha conduit, naphtha was conveyed from Baku to Batum, and was thence transported over the entire world. But after Azerbeydjan (the district of Baku) had fallen into the hands of the Bolsheviks, all exportation of naphtha by way of Batum was out of the question for the following reasons: Batum did not belong to Soviet Russia, but to the more or less anti-Bolshevik Georgian Republic; the underground naphtha conduits were out of order and required extensive repairs; and lastly, the lack of fuel in Central Russia was such that the total output of naphtha had to be conveyed thither. The only practical mode of transport was by way of the Caspian Sea to Astrakhan, on the estuary of the Volga. But the plenipotentiary's report shows that the means of transport were totally inadequate in the spring of 1920 and that matters stood very badly at first in regard to the carrying of naphtha. The transport fleet was composed of 93 vessels, with a total capacity of 7,800,000 *poods* of naphtha. The greater part of these vessels, furthermore, were scarcely in a seaworthy condition, as they had either been repaired superficially or not repaired at all of recent years. The ships had to be refitted after each journey, and this required much time in consequence of the lack of skilled workmen. Violent storms occurred in September and October, increasing the difficulties of the transport of naphtha, and finally the Volga's estuary was closed early in November by frosts. These unfavourable conditions are placed clearly in evidence, and perhaps even somewhat exaggerated, by the Bolshevik report, in order to emphasize as fully as possible the merits of the Soviet authorities in reorganizing the transport of naphtha on a new basis. The report declares proudly that in spite of the above difficulties the Bolsheviks succeeded in conveying to Astrakhan in the period June to October 138,800,000 *poods* of naphtha products. This, it remarks, was the limit of possibility.

The stock of naphtha products remaining in Baku after the

closing of navigation amounted to 213,900,000 *poods*, the total amount being distributed as follows among the different products :

	Poods.
Raw naphtha	81,300,000
Mazut	114,000,000
Kerosene	10,300,000
Gasoline	1,500,000
Benzine	500,000
Lubricating oils	6,300,000
	213,900,000

The fall in the production of naphtha which occurred immediately after nationalization of the Baku petrol industry is attributed in the report to the following reasons : diminution in the number of skilled workmen, acute shortage of means of transport and technical material, and finally decrease in the producing capacity of labour. As a consequence of the nearly general departure of skilled workmen, 700 holes already sunk were left unused, and the boring of 40 others not completed. Ten holes in the region of Surachan could not be used owing to the lack of carpenters and smiths. From the date of nationalization, i. e. from May 28 to November 20, 73,300,000 *poods* of naphtha were obtained, whereas the output from January to May 28 was 87,400,000. After nationalization the average produce of twelve hours' work has been 414,000 *poods*, but during the last month preceding nationalization this average was 590,000 *poods*, showing a loss of 29·8 per cent. The report does not state during how many days in a month work was actually carried on. The number of active gimlet holes likewise is steadily decreasing : in January it was 1,734, in April, 1,450, and in November, 967. Only during the most recent months production has again increased, reaching 406,000 *poods* in twenty-four hours in November as against 381,000 *poods* in October. The sinking of new holes is stated by the report to be trifling : in September there were bored 92 *sagens*, in October, 94, and only 21 during the first twenty days of November.

This comparatively businesslike Bolshevik report proves once more that Bolshevik nationalization results inevitably and automatically in a decrease of production.

A series of notices in *Economic Life* for 1920 shows the decrease in the output of naphtha in Baku: in September 1920 it was 10,900,000 *poods*, whereas in January it amounted to 18,700,000, and in pre-war time to 35,000,000. This decrease in output must be explained chiefly by the food-supply crisis in Baku and the neighbouring districts. Workers are deserting in crowds. One can form an idea of the scope of this desertion by the fact that the number of absentees among the skilled specialists was 1,345 at the end of July, as against 500 at the beginning of the same month. It must be remembered that the number is steadily increasing, threatening a total paralysis of industry. The crisis in boring is to be explained by the same cause. Another cause is the general economic collapse.

The situation in regard to firewood was equally critical. According to Glavtop (Central Fuel Committee), 1,180,000 cubic *sagens* of firewood were gathered on January 1, 1920, and this figure was increased by 915,000 cubic *sagens* on January 1, 1921. This quantity, however, is far from being sufficient for the needs of the country. An article in the *Red Paper* on December 19, 1920, declares that the traffic on the Petrograd Railway centre may be stopped at any moment for lack of firewood. This railway centre requires 90 carloads of wood every twenty-four hours. The Northwestern Railways have a supply for twenty-four hours, the Vindova Railway for a single night; the situation on the Nikolaievskaia Railway is no better. The railways find themselves forced to 'borrow' the firewood they are transporting for different industrial establishments. They have no time for hesitation, as they are threatened by a total stoppage. The Murmansk Railroad should have conveyed in November 80 carloads of wood daily, but actually conveyed only 50; the Nikolaievskaia Railway conveyed 2 cars instead of 10, the Northwestern, 20 to 25 instead of 60. The citizens have fuel cards, but they cannot obtain wood.

The Poutilovski works are supplied with fuel for two months counting from the second half of November, the Frengolvik factory for one month, the Sjorski works for one and one-half months, Obookhovski works for three months, the Baltic works

for two months, while the Vadosvet works are very scantily supplied.

During the course of October 84,800 cars were loaded with firewood on all Soviet railways together. According to the plan worked out by the Central Fuel Committee, 134,633 cars were expected to have been loaded during October. The average number of cars loaded in the course of a day in October was 2,735 instead of 2,977 as in September.

In the course of October Moscow received only 11,346 railway carloads of firewood, which is only half of the 22,413 carloads provided for in the plan. When compared to the supply in September, the quantity of fuel actually conveyed to Moscow decreased by 2,663 carloads, or 19 per cent.

The amount conveyed to Petrograd has also proved a disappointment: in October only 2,849 carloads of firewood were delivered instead of the 4,340 as expected, or the 3,470 for September.

In regard to peat-digging, *Economic Life*[1] states that the total production of this form of fuel in the whole of Soviet Russia for the year 1920 amounted to 90,000,000 *poods*, as against 94,000,000 in pre-war times. As compared to the production of the year 1919, the output has increased 34 per cent. The paper remarks that the output would have been larger, but for the shortage of workmen and their late arrival at work, which resulted in reducing the working season from 60 to 43 days.

In speaking of the fuel crisis in Russia, we must especially note that its acuteness is due in great part to the delay in transporting the ready fuel to the railways. Transport lags everywhere behind production. As an example, at the end of 1920, 60,700,000 *poods* of coal were stored in the Donetz basin, 47,700,000 lying in the mines, and 13,000,000 in stores. These stocks, although insignificant, would suffice for a month's use on railways if they could be transported. The figures representing stocks of firewood that remain unused owing to lack of means of transport are simply incredible. During the storing

[1] No. 4, 1921.

season of 1919–20, 9,517,800 cubic *sagens* of firewood were made ready for use, but 2,651,900 of these remained untransported. The total quantity of firewood that now lies untransported in the forests from the period 1918–21 amounts to 4,848,900 cubic *sagens*. The number of railway cars required for the transport of this huge mass of firewood is no less than 1,700,000, but so many cars do not exist in the whole of Russia to-day.

The acute fuel crisis induced the Soviet Government in the autumn of 1920 to issue a regulation prescribing the obligatory gathering of pine cones by the population. This obligation applies to children from 13 to 18 years of age, to men from 50 to 55, and women from 40 to 45. In addition, all public school teachers are required to do the same work with their pupils. The regulation explains that this work represents 'instructive labour excursions' for students. The work is to continue from September 25 to November 1.

Transport

The reorganization of transport has become the most important and acute question in Soviet Russia. Attention is given to it exclusively. All the productive work of the *Gomza* is directed toward its re-establishment.

At the Eighth Meeting of the Soviets, Trotsky, who was commissary for roads of communication, in 1920, in a special report gave a description of the railway transport's destruction. Last autumn, and especially at the beginning of last winter, one might have foretold, almost to a minute, the impending destruction of railway transport. If the means for reorganizing the system had continued to decline at the same rate as at the end of 1919 and the beginning of 1920, transport would have been entirely paralysed during 1920. The transport system has suffered most severely from revolution and war. About 45,000 *versts* of railway have been physically destroyed. Only the Central Railway net, about 15,000 *versts*, has escaped destruction. In Soviet Russia 46,000 *versts* of railway have been subjected to the destructive action of war; 3,000 bridges have been destroyed and 10,000 telephones and telegraph plants.

Of the locomotives 61 per cent. are out of commission. What steps were taken by the Soviet authorities to prevent the impending transport catastrophe? To this question Trotsky gives the following answer: 'We decided to organize repairs on a large scale for the military food supply trains. *Everything for transport* was the watchword.'

The danger of final, irrevocable collapse of transport passed; in some respects transport even improved. In order to start repair work on a proper scale, order had first to be introduced. There are more than a hundred varieties of locomotives. This renders their repair particularly difficult. The locomotives had first to be listed. Two orders were published by a special transport commission: No. 1,042 and No. 1,157, and a special plan for transport 'storm' factories. Order No. 1,157 gave good results in repair work. The chief object of these repairs, according to the orders in question, was to organize the work on the basis of mass production of reserve parts. Order No. 1,042, about which Trotsky spoke so profusely in his report, called for much energy and work on the part of the Soviet authorities in carrying out the programme which it laid out. Has it brought about the expected results? Seemingly, actual results did not realize expectations. According to No. 30 of the *Izvestia* of February 11, 1921, we see that during the second half year of 1920 the work as regulated by Order No. 1,042 was carried out as follows in the factories of the Supreme Council of National Economy:

	Projected. Number.	*Carried out. Number.*	*Percentage.*
New locomotives	78	48	61·5
Repaired locomotives	455	327	71·9
Wheel rims	660,000	223,153	35·3
Parts of railway cars	382,200	185,300	48·5

In accordance with Order No. 1,042, the Supreme Council of National Economy was to have repaired 600 locomotives. In reality all the factories of the Supreme Council of National Economy together have built 45 new locomotives and repaired 233 old ones, which amounts to 38·8 per cent. of the work laid out for them.

The following item, among many others, taken from *Economic Life* of October 10, 1920, shows the manner in which repairs of locomotives were carried out. During the month of September the northwest workshops repaired 1·4 locomotives, while 4·37 were repaired in August and 4·49 in July. The decrease in production is explained by the great decline of labour discipline among workmen. The same number of *Economic Life* describes the sad state of Russian railways. 'Demands for railway service grow greater day by day, yet the railways are in a most unsatisfactory state.' The paper continues: 'The railways are in great need of the most necessary material, and also of workmen. The greatest unsatisfied needs of the railroads during the present year consists in the following items: they will be short about 9,000,000 sleepers, or ties, besides which all the stores and remainder of sleepers from previous years have been exhausted. On some of the roads the necessity had already arisen of limiting the trains' speed. By spring time the situation will be still worse. There is a minimum of 30,000,000 sleepers required for the coming year, and the railways need no less than 1,500,000 *poods* of iron for the rebuilding and repairing of bridges.' As to fuel for railways, *Economic Life* remarks that about 400,000 cubic *sagens* of firewood and 2,500,000 *poods* of coal are lacking.

According to the *Moscow News* [1] the railways are in a nearly hopeless situation as regards the supply of materials, especially sleepers. During 1920, 18,000,000 sleepers should have been replaced by new ones. The order was delivered in good time to the Glavlieskom (Central Wood Committee), but the work went on very slowly, so that only 10 per cent. of the whole quantity was actually on hand in November. The lack of sleepers threatened the safety of trains, especially since, owing to the general lack of material, the sleepers were used without being properly soaked. By the month of May 1921, the need for sleepers, or ties, will amount to 24,000,000 at the very least, but there is no hope whatever of receiving even a fair portion of this number, to say nothing of the entire quantity.

[1] Moscow *Izvestia*, December 1920.

The paper remarks that this creates a critical situation for the railways.

We can form an idea of the conditions from the following statement by an authoritative Soviet worker, A. Lomov, chairman of the Glavtop (Chief Fuel Committee), who writes thus in No. 4 of the *Pravda* for 1921 :

'The latest news from the Ukraine shows that the fuel situation has reached the stage of a catastrophe. On most of the Ukrainian railways the locomotives stand idle ; hundreds of cars laden with food are stalled on the tracks ; the junctions are obstructed ; all coal in transit is requisitioned by the railways without regard to the owners. Is it possible that the Donetz basin cannot produce 300 carloads of coal daily for the railroads ? On the contrary, it produces 455 carloads, but a number of laden trains are stalled on the southern roads, and these require daily for the warming up of the freight cars roughly adapted to the transport of soldiers, workmen, prisoners, etc., no less than 50 carloads of coal. Besides, stealing of the coal has increased to such an extent that the railways receive only what is left. In Rostov, Alesandrovsk-Grooshevk, and other places, high-grade coal is being sold that was intended for the railways. They habitually rob each other of the best coal without regard to the inferior grades. The demand is endless.'

Another speaker before the Eighth Congress of Soviets, Yemshanov, the present Commissary of Communications, is less optimistic than Trotsky, and draws the following picture of the condition of the railways in Soviet Russia. He places the number of locomotives at the moment in good condition at 7,461, and confesses that the number of railway cars in need of repairs is increasing monthly. Nine hundred *versts* of telegraph lines have been totally destroyed and cannot be rebuilt at this time when labour is so non-productive. Eight thousand telegraph instruments of the total number of 10,000 require fundamental repairs. The same situation exists in regard to the 38,000 telephones in the railway service, 32,500 of which are in need of immediate repair. All signal apparatus must, without exception, be overhauled. Referring to the railway embank-

ments, Yemshanov declares that by the end of the year their condition will spell disaster for traffic. The absolutely indispensable work in this crisis would require five years. Yemshanov points out further the danger from snowdrifts, since the railways are now without means of protection, the wooden snow screens with which all Russian railways were formerly supplied having, of course, long ago been used for fuel. Traffic has already been interrupted many times for long periods owing to snowdrifts. In order to maintain uninterrupted traffic in face of the heavy drifts in February and March the Railway Commissariat would require an army of 120,000 workers. These would have to be raised by the local Executive Committees. Further, there are lacking 2,500,000 shovels, and Yemshanov expresses the fear that the 120,000 men mobilized for snow work will be obliged to clear away the snow *without* shovels! The lack of firewood and coal for railway traffic is far from being met, and the difficulty is increased by the low quality of the fuel actually delivered. The firewood contains, as a rule, more than 30 per cent. of moisture, and locomotive boilers in which it is used require frequent and extensive repairs. The coal supplied to the railways is unsatisfactory both as to quality and quantity. Siberia, which was hitherto the main source of fuel for the railways, is yielding less every month, while the Donetz basin is able to supply only the southeastern railways; the latter, however, have also been obliged lately to interrupt traffic in several districts owing to the lack of coal. Not a third part of the demand for reserve parts for locomotives has yet been satisfied. Workmen suffer severely from lack of clothing and foot covering, and the orders of the General Management can be carried out only to a very slight extent—on an average, not more than 5 per cent.

These statistics of Yemshanov must be completed by new data published in *Izvestia* at the end of January 1921. The number of *versts* of railway lines in Soviet Russia in actual operation is, it seems, 61,952. The total number of locomotives in December 1920 was 18,979, of which 7,687 were in good condition. The number of cars was 453,991 and 350,917

respectively. In December 1920 the average of daily loading equalled 12,685 cars.

The growth of the railway budget may be seen from the following table, which contains the figures of anticipated income and expense for each year of the revolutionary period (for railways only, not for waterways), as well as the deficits :

	Income.	*Expense.*	*Deficit.*
	In millions of rubles.		
First half year 1918	641	3,903	3,352
Second half year 1918	413	3,750	3,337
First half year 1919	913	5,073	4,160
Second half year 1919	1,651	10,826	9,175
Entire year 1920	*18,954*	*70,220*	*51,266*

These figures show the enormous increase of expense in the operation of the railways. This increase is so great that no increase of income through the raising of tariffs can possibly cover, even to a slight degree, the expense that the State would be obliged to incur for the re-establishment of normal railway transport.

In regard to transport by water, the reports at hand show that the situation in this department likewise was critical in 1920. *Economic Life* for October 8 declares that transport on the Volga is in a very disordered state. The greatest difficulty arises from the lack of watercraft. Further, the transport of corn to the docks by the peasants is handicapped by shortage of cars and labour. The supply of salt has been seriously interfered with owing to the inability of the salt-laden barges to approach the shore, as the result of the Volga's increasing shallowness.

The same paper publishes in No. 280 of the year 1920 a long article by Mikhailov in regard to the navigation period of 1920. In his introduction the author is obliged to admit the utter helplessness of the Bolshevik authorities in the face of unforeseen difficulties. The Central Administration of Navigation was entirely unprepared for the exceedingly early cold weather in the autumn of 1919. All lighters and steamers underway were hastily brought into the nearest winter harbours, where they remained with their cargoes during the entire winter. In dis-

tributing the vessels among the various harbours no consideration was given to the question whether the harbours were adapted to carrying out the most necessary repairs—the vessels were distributed absolutely without plan. The result was that the river fleet was scattered throughout the whole winter in 288 small harbours, several of the places being so insignificant that the crews could find no accommodations on shore; the conveying of repair material to the vessels was, of course, impossible. The following figures give the effective repairs carried out. It must be remembered that nearly all the vessels were in need of repairs.

SHIPS PUT UP AND REPAIRED

	Left in harbours for winter.				*Repaired by May 1, 1920.*					
	Steamers.	*Barges.*	*Lighters.*	*Total.*	*Steamers.*		*Lighters.*		*Total.*	
District.	*No.*	*No.*	*No.*	*No.*	*No.*	*Per cent.*	*No.*	*Per cent.*	*No.*	*Per cent.*
olga District . .	1,932	58	5,093	7,083	722	37·2	1,123	22·0	1,845	26·1
aria Canal System	790	21	2,380	3,191	476	60·2	342	14·3	818	25·7
orthern District .	229	6	597	832	112	48·8	254	42·5	366	43·9
Total . . .	2,951	85	8,070	11,106	1,310	44·3	1,719	21·3	3,029	27 3

Mikhailov points out particularly that the repairs were made quite superficially, and that the vessels had to be refitted in the spring of 1920.

Navigation in the year 1920 was handicapped at the very beginning by a serious fuel crisis. The necessary supply of fuel for the period of navigation has been fixed at 700,000 cubic *sagens* of wood and at 840 *poods* of naphtha. The stock in hand for the Volga fleet at the opening of navigation was in reality much less, as is evident from the following table:

TIMBER FOR NAVIGATION

Line.	*Required.*	*Ready in forests.*		*Delivered at shore.*	
	Cubic sagens.	*Cubic sagens.*	*Per cent.*	*Cubic sagens.*	*Per cent.*
Tver–Nijni-Novgorod . .	192,000	39,870	20·8	10,050	5·3
Nijni-Novgorod–Astrakhan .	360,000	25,645	7·1	9,789	2·7
Total	552,000	65,515	11·8	19,839	3·6

The transport of firewood to the points of delivery on the shore thus proved to be a complete failure.

The same report gives the following figures showing the actual transport of goods during the same navigation period. The Russian steamship lines transported *in toto* up to June 1, 7,189,000 *poods* of corn; 3,381,000 *poods* of salt; 25,828,000 *poods* of wood; 8,444,000 *poods* of other merchandise (except naphtha).

The volume of goods transported up to June 1, 1920, exceeds considerably the figures of the previous year, but remains far behind those of the years 1916 and 1917. For example, the quantity of corn transported during the same period in the year 1917 was four and a half times as great as in the year 1920, and in 1916 it was eleven times as great. The following table gives a general view of the total volume of goods transported by the Russian waterways in 1920, as compared with the corresponding figures of the previous years:

In thousands of poods.

Corn	25·5	18·2	10·1	93·2	227·8	235·7	229·0
Salt	23·9	18·9	29·0	50·2	53·5	56·2	51·0
Firewood	220·8	172·8	161·0	360·9	393·7	309·8	298·7
Building wood	90·2	53·6	56·0	305·4	325·5	782·6	867·4
Naphtha	83·0	6·6	76·6	316·6	360·6	233·3	246·3
Petroleum	22·8	10·9	24·0	68·5	72·1	88·0	82·4
Other goods	47·1	50·9	83·2	256·9	314·3	443·0	517·1
Total	513·3	331·9	439·9	1,451·7	1,747·5	2,148·6	2,291·9

The number of soldiers and civilians transported up to November 1 was 6,181,000, the corresponding figures for the year 1919 being 5,734,000.

On comparing the transport of goods in 1913 and 1920, we notice that lumber, which occupied first place in 1913, has fallen in the scale. The least decrease is shown by firewood, which is to be explained by the chronic shortage of fuel in Soviet Russia. A most important fact, also, is the decline in the amount of corn transported; this shows clearly the falling off in agricultural production.

The Labour Question

The Soviet authorities' lack of common sense in economic matters is particularly noticeable in the labour question. All their energy is evidently directed to this problem. We cannot doubt their sincere desire to ameliorate the workman's condition by sacrificing the interests of all the other classes of the population. And yet, as the outcome of all their efforts the labour situation presents a state of utter chaos, a picture of which is given us by the Soviet press itself. *Economic Life*, in an article devoted to an account of the demands of labour in the first quarter of 1921, speaks clearly of the 'unconquerable difficulties that any economic plan will encounter owing to the lack of workers'. 'It is impossible,' says the paper, 'in view of this lack, by which the government is handicapped, to satisfy the need for workers.' In another number of the same review (No. 6) we find a vivid description of the same condition. The paper speaks of the necessity of setting the army of workers at the task of storing wood in 1921, 'as otherwise it will be quite impossible to carry out' this programme for 1921–22. The complaint of the Soviet leaders of the lack of trained workmen might have been interpreted as applying to a condition brought about by strikes of these workers, whose position was preferable under the capitalistic régime. It seems, however, that it is the ordinary workmen who are lacking. In this case the phenomenon can be explained only on the assumption that the workers find themselves in such conditions that all who can possibly do so seek to escape.

The difficult economic situation of the Russian proletariat forces it to abandon the factories. Some have recourse to other Soviet enterprises, some seek the country, where, if they are qualified, they start small home industries, without adequate outfit it is true, but which provide daily bread for them and their families. 'The Russian proletariat is fading away. It has already nearly disappeared.'[1] The following significant paragraph refers to the workers' abandonment of the factories.

[1] Meeting of Professional Union, 1920.

No. 270 of *Economic Life*, in giving the results of the registration in 1920, says:

'The population of 40 government towns has decreased during the period from 1917 to 1920 from 6,392,000 to 4,295,000; in other words it has become smaller by 32·8 per cent. In 50 other important centres the number of inhabitants has fallen from 1,517,000 to 1,271,000, namely, 16·2 per cent. In several towns taken separately the decrease is as follows: Petrograd, 51·5 per cent.; Moscow, 44·5 per cent.; Jaroslavl, 43·2 per cent.; Archangel, 36·5 per cent.; Tver, 35·3 per cent.; Pskov, 34·2 per cent.; Vologda, 32·8 per cent.; Perm, 32·1 per cent.; Voroniej, 32·2 per cent.; Nijni-Novgorod, 30·8 per cent. In other cities the decrease is less considerable; among the non-government towns the falling off of population is to be observed particularly in the great centres of textile and metallurgic industries, such as Oriehovo-Zooevo, where the population decreased 52·4 per cent.; Kolomna, 54·5 per cent.; Bogorodsk, 50·8 per cent.; Shooia, 43·7 per cent.; Biejitsa, 42·7 per cent.; Ijevsk, 37·4 per cent., etc.'

The same paper publishes in No. 242 the result of the workmen's registration in August 1918 and 1920. In 1918 the number of enterprises in 35 'governments' (counties) amounted to 6,090, in which 1,254,000 workmen were employed. In 1920 these same counties had only 5,887 factories, with 867,000 workmen. Thus the number of workmen has decreased 30 per cent. In 1920 the registration was carried out in all Russian counties in Europe, and in some of the Siberian ones as well, and the results show that the number of workmen amounted to 1,062,000, and the factories to 7,560. The decrease of workmen is particularly great in the industrial region of Central Russia. In the west, in the Volga region, and in the north (Petersburg County excepted) the number of workmen has increased. In the city of Moscow the number has fallen 42·5 per cent., in Petersburg only 26 per cent. But it must not be forgotten that as early as August 1918 Petersburg had lost 75 per cent. of its workers. To save the situation, the Soviet authorities had recourse to their usual system—that of compulsion. In 1920 the militarization of Russian industry

began. At first, in January 1920, it was applied only to the railway workers, then gradually it was extended to the coal industry, the iron industry, and, finally, to the lumber, flour, milling, and sugar industries. The militarization consists in the complete and unconditional subjection of workmen to the Factory Administration. It gives birth to a number of strict measures and prohibitions, such as the annulling of leaves of absence and of unauthorized free hours, the penalty for violation being obligatory supplementary labour; in addition, the slightest unpunctuality is punished and strikes are summarily crushed.

The existing conditions in Russian factories is pictured as follows in a memorial of Petrograd's workmen of September 5, 1920:

'We feel as if we were in the galleys where everything is regulated except food. We are no longer free men, we have become slaves.'

We can easily understand that workmen do not enjoy militarization, and they resist by all means in their power. As a result, a series of strikes, more economic than political in nature, swept over Soviet Russia in 1920. Unfortunately, for some reasons, the Bolsheviks do not permit their newspapers to publish anything in regard to the strikes or about the means used in crushing them. Therefore, all that we learn of them must be from secret sources. According to the Narkomtrood (National Committee of Labour) and the Central Statistic Committee, which are the only possible sources of information concerning strikes, it seems that during six months of 1920 strikes have occurred in 77 per cent. of the medium-sized and large industrial plants. In nationalized undertakings, strikes are a common occurrence. They make up 90 per cent. of all the strikes, the remaining 10 per cent. belonging to the non-nationalized establishments. A group of factories experienced three to four strikes during the period in question, as the 'Skorochod', the Ijorski, the Obookhovski factories, etc.

If we ask how the Soviet authorities proceed against strikes,

the evident reply is that they are forced to follow the obvious method of repression, as we find actually the case.

'One hundred and fifty-two workmen from the Briansk factories are confined in the Moscow Bootyrski prison for the March strike. Up to the present time no accusation has been brought against them. Seventy per cent. of their number have been ordered to be set free, according to the decision of an extraordinary judicial revision.'[1]

The strike in the Poutilovski factory in April was broken through the arrest of numerous participants. The fate of twelve of the prisoners is unknown. The extraordinary commission refuses to give any information concerning them. Our conjecture is that they have been shot.[2]

The *Moskovskaia Pravda* of December 1920 states that the workmen of the iron works in Ekaterinoslaff started a strike and several times defied the authorities. The Administrative Council therefore ordered that the works should be occupied by military forces and forty-eight hours were granted the men for resuming work. At the end of this period those workers who had not submitted, together with their families, were to be arrested and sent to concentration camps in the north of Russia.

The Russian workmen have been deprived by the 'Government of Workmen' of the right to strike. This was done on the very plausible ground that a strike in communist Russia would be a strike of workmen against themselves, the Soviet Government being very anxious to represent itself outwardly as a government of workmen. In spite of this reasoning, strikes are a common occurrence in Russia, which proves clearly that workmen are by no means convinced of the beneficence of the Bolshevik Government. A most interesting communication in regard to Russian strikes was addressed to the official organ of the Tree Workers' Union, *The Syndicalist*, by the German Syndicalist, A. Souchy, who recently returned

[1] Revision of the K. K. Inspection, June 1920.

[2] Letter of the Poutilovski Workmen of June 8, 1920.

from Soviet Russia: Strikes are no longer declared in Russia for the sake of wage increase, but for food. Striking workmen were thrown into prison by the Soviet Government without *ceremony*. In a chocolate factory visited by Souchy, the girl workers complained that they had been four days without bread. Souchy is of the opinion that the frequent strikes of Russian workers prove indubitably that the means of production are not in the hands of the working class.

The Soviet authorities had recourse to a series of strike measures in the effort to prevent the defection of workers. The following is from the *Red Paper*: [1]

'Many workmen have returned to their villages and begun to cultivate their own land and nothing would induce them to come back to Petrograd. Recruiting agents have been sent frequently from the Petrograd factories to those districts from which workers for Petrograd have always been drawn. For the most part, these endeavours have been fruitless. The only way *to bring the former workers back to their usual tasks is to* mobilize them.'

These were not empty words, for in the same number of the paper we find a communication to the effect that the mobilization decree has been put into effect:

'Yesterday 95 mobilized workmen were assigned to their respective tasks. The arrival of new groups proceeds very slowly, as those in charge declare that in all the localities visited railway cars are withheld from their use.'

Thus, workmen are brought to Petrograd under escort like criminals.

According to the decision of the Sovnarkom of September 13, 1920, mobilization is declared for all those who were born in 1886, 1887, and 1888. All those working in Soviet institutions and undertakings will be considered mobilized until the issuing of a special order; all others not employed at the present time in any work of general usefulness will be held at the disposal

[1] No. 240, 1920.

of the Glavkomtrood (Chief Committee of Labour) in order to be employed for labour purposes. A. Rabinovitch[1] declares concerning this disposition that the Sovnarkom has adopted a new method for enforcing the labour obligation that is aimed to militate against the economic ruin and utilize the labour of all citizens capable of work. The new mobilization forces the population to compulsory labour through military means, in the same manner as a military mobilization is enforced. The socialistic organization is undermined by the acute lack of workers, many of whom have returned to their villages or to other factories ; others have abandoned labour and given themselves up to speculation.

All the Government's efforts to bring back the needed workers to the factories have proved fruitless, and for this reason it has been deemed necessary to enforce the plan of labour obligation. Up to the present time all attempts to obtain workers have been without practical results. The mobilization of workmen for the 'labour front' is carried out imperfectly and without fixed plan. The labour boards lack the necessary means for reaching those whom they wish to mobilize. The announced mobilization is to be general for all persons of a given age, and is to apply to the whole of the Republic's territory. The reason for anticipating that the new mobilization will be successful is that it is to be carried out by the military department, which alone has at its disposal a thoroughly organized force in good working order.

Notwithstanding all these measures, the workmen's desertion from the factories still continues, and their absence is a chronic condition.

The number of workmen reported to be employed in a factory is often quite fictitious. For example, in the Sormovski factories the number of unauthorized free days amounts to 30 per cent., as compared with 10 per cent. before the war ; in the Briansky factory it is 40 per cent.[2]

In No. 292 of *Economic Life* the following table is given of

[1] *Economic Life*, September 23.
[2] *Ibid.*, May 7 and 8, 1920.

railroad workers' non-appearance in storehouses and workshops :

Months.	*Percentage of workmen absent for various reasons.*
January	29·8
February	29·8
March	28·2
April	28·8
May	26·5
June	23·8
July	24·8
August	25·8
September	25·7
October	25·3

This table is supplemented by explanations showing that the greater number of absentees are in those localities which suffer from famine, where the workmen are obliged to seek food in the villages. No. 119 of *Pravda* states in this connexion :

'The idle days may be explained by the fact that workmen are engaged in various occupations. They leave the factories not only in order to perform work in their own syndicate, but also for the purpose of purchasing food, fuel, soap, etc., and also in order to assist the agents of the food organizations, in whom the workmen have not the slightest confidence.'

One of the Petrograd factories furnishes the following statistics regarding 'idle days' for the period of three days only, namely from May 4 to 6, 1920 :

	May 4.	*May 5.*	*May 6.*
Workmen absent for entire day	153	178	169
Absent part of day	54	39	29
Left before closing time	148	43	104
Unpunctual workmen	85	85	48
	440	345	350

There are 1,000 workers in this factory, and thus more than one-third is absent daily.[1] As a measure against 'idle days', namely, non-appearance at the factories without serious reason, the Soviet authorities have re-established a fine for workmen. On May 10, 1920, the People's Commissary published a

[1] *Red Paper*, no. 111.

decree concerning the campaign against 'idle days'. It reads thus:

'Desiring to put a stop to this abuse, the Council of the People's Commissaries has decreed—

(1) That payment of wages will be withheld from those workmen who have been at fault, namely, those who have missed working days without adequate reason. Further, a certain amount will be deducted from money premiums and rations on the following basis:

(*a*) For the first idle day in the month the fine will amount to 15 per cent. of the monthly premium; 25 per cent. for the second day, and 69 per cent. for the third.

(*b*) In addition to this, offenders will be forced to do the work which they have left undone, and this must be performed, according to the decree regarding obligatory labour, in free hours and on holidays.

(2) For idleness lasting more than three days the offender will be turned over to the tribunal on the charge of resisting the authorities.'[1]

Thus, while the old law forbade the deducting of more than one-third from a workman's salary, the Soviet law deducts merely for idle days more than two-thirds of the workman's actual earnings, and forces him to complete the work without remuneration during free hours and holidays.

Another very important decree for the regulation of labour in Russia is that regarding premiums, which was published in March 1920. According to this decree, the premiums were not to exceed 100 per cent. of the fixed wage, being regarded as an adjustment and an addition to the pay. Further, the 100 per cent. premium was to be allotted only to skilled workmen taking part directly in producing the object for which the premium was awarded; workmen employed for auxiliary work (assistant foremen, etc.) might receive in premiums only 75 per cent. of their wages. Workmen participating indirectly in the production, such as helpers, apprentices, etc., receive

[1] *Izvestia*, no. 100, May 11, 1920

only 50 per cent., and journeymen no more than 25 per cent. of their pay.

At the end of 1920 the All-Russian Central Council of Trades Unions decided to make special payment from a separate fund, with the aim of inducing workmen to engage in particularly important branches. The fund amounts to 50 per cent. of the total sum of regular wages of all workmen and employees of the institution or enterprise. The Council of Commissaries of the People (the full title of the Soviet Government) has granted to the above-mentioned Central Council of Trade Unions the right to increase the fund if necessary 50 to 100 per cent.

As to the premiums in kind, or goods, the following system was declared operative from May 24: Normal production is regarded as half of that of pre-war time; the maximum premium in kind is not to exceed three food rations; a diminished food ration is established as a penalty for those cases where the normal is not produced.

The whole premium system rests on the principle of specialization, for which reason it offers but little profit to the general mass of workers, somewhat more to the skilled workers, and most of all to engineers and managers.

This system is adopted when the number of workmen decreases, when production is below normal, for encouragement of private initiative, for equalizing the distribution of work and for lengthening the working day.[1]

By the introduction of this system the Soviet Government stimulated among the workers the lowest instincts of human nature, the development of which was especially facilitated by the intolerable food conditions. The system has already led to many abuses of particularly evil nature owing to the fact that premiums are frequently paid in products.

It must also be noted that the projected premium fund remained for the most part merely a paper scheme. For example, *Economic Life* for December 1920 states that, according to the calculation of the All-Russian Central Council of Trades Unions, the projected distribution of premiums to

[1] *Economitcheskaia Shisn*, May 12, 1920.

workers of the 'storm' group of factories (2,500,000 men) would require 826,125 *poods* of flour, 220,300 *poods* of fish, 110,150 *poods* of salt, 55,075 *poods* of sugar, 55,075 *poods* of oil and butter, and 275,375 pounds[1] of tea.

At all events, the Council actually obtained for distribution of premiums, owing to the shortage of food, only 400,000 *poods* of flour, 75,650 *poods* of fish, 75,650 *poods* of salt, 30,000 *poods* of sugar, 10 *poods* of oil, and 189,122 pounds of tea. The allotment of premiums is thus of necessity considerably restricted.

Siberia, also, has its own system of food premiums. At the end of September 1920 the Siberian Revolutionary Committee established a special food fund for the distribution of premiums to workmen and employees in Siberia. The fund consists of 600,000 *poods* of flour, 600,000 *poods* of vegetables, 82,000 *poods* of meat, and 37,125 *poods* of salt. The necessary foodstuffs have been placed at the disposal of the Organization and Instruction Department of the Central Trades Unions Council for distribution during one year. An article by Faingold in No. 247 of *Economic Life* describes the plan of distribution: 15 per cent. is held as a reserve fund for exceptional cases and 85 per cent. is allotted for distribution. In the different towns and districts the distribution is made according to instructions from the Trades Unions Council and subject to its control. Neither the separate industrial enterprises nor the organs of the Soviet Administration have the right to dispose of this fund.

A special 'premium ration' is established for each workman and employee in accordance with the productiveness of his work. The premium rations are divided into six classes, and each trade union has the right to present its claim to the different categories numbered from one to six. Premiums of different categories may not be simultaneously awarded. The trade unions are divided into three groups. The first enjoys the right of rewarding its workmen and employees with four categories, the second with five categories. To the first group belong the Soviet functionaries, and the workers in the division of food, instruction, and agriculture; to the second, the wood

[1] 1 pound = $\frac{1}{40}$ *pood*.

workers, tailors, functionaries of the medico-sanitary section, and the tobacco workers; to the third class belong the leather, metal, printing, and textile workers.

The six categories of premiums represent the following *rations:*

Class.	*Flour. Pounds.*	*Vegetables. Pounds.*	*Salt. Pounds.*	*Meat. Pounds.*
1 . . .	1	8	½	
2 . . .	10	10	¾	
3 . . .	12	12	1	1
4 . . .	15	15	1¼	1½
5 . . .	17	17	1½	1¾
6 . . .	20	20	2	2

Each workman or employee who has earned a premium receives every month a special certificate from the Tariff Commission, on the presentation of which he is given his premium ration from the same shop where he obtains his fundamental or regular ration. The certificate forms are sent under strict control from the Trades Unions County Council, or the Trades Unions District offices, to the different trades unions, which acknowledge their receipt and immediately forward them to factory committees or unions of employees.

General plans for allotment of premiums exist only in Moscow and Siberia. The Moscow system permits every industrial enterprise to distribute to its workmen the premium fund allotted to it, while in Siberia the distribution of premiums is the same for all enterprises. In their effort to increase production, the Bolsheviks have reinstituted supplementary hours, which they had banished from factory life in 1918. At first this measure was only recommended as desirable, but from the middle of 1920 supplementary hours became obligatory. For the purpose of a rapid reorganization of railway transport, obligatory supplementary work was introduced from June 1.[1]

Should the number of workmen be found insufficient for the Soviet programme, the working day will be fixed at ten hours[2]; a series of documents show the frequency of this supplementary obligatory work and how much time is devoted to it.

[1] Order for the Alexandrovski Railroad. [2] July 1920, Narkomtrood.

The county meeting of workmen chemists, which was held in Moscow in July 1920, affirms the free application of supplementary work, which is often performed under compulsion of the factories' administration.

It is stated in the resolution of September 5, 1920, drawn up by the representatives of the outlaw labour organizations of Petrograd, that 'never has supplementary work been so freely applied as at the present time. The worst feature of this is that in 80 per cent. of the undertakings this work has become obligatory, and refusal to do it is severely punished'.

The obligation to perform supplementary work was asserted at several meetings of communist workmen.[1]

Supplementary work, which is a natural consequence of the workmen's desertion of the cities for the villages, is remunerated according to the following scale: the first two hours are paid for at double price, the next two at one and one-half times the regular rate. Thus, a locksmith (category 21–3) is able to earn 3,000 supplementary rubles, provided he works not less than twelve hours a day. The question, 'How is labour protected in Soviet Russia?' may be answered by the following extract from the Soviet *Economic Life*. This paper[2] describes the conditions of the safeguarding of labour in communistic Russia in this manner: Many of the decrees which have been issued were in the form of declarations—they were merely an ideal to be striven for. The reports of labour inspectors call attention to a twofold phenomenon: first, machine production is often replaced by handwork which is far from perfect, and, which, further, is accomplished under conditions that do not safeguard the worker's health. The number of small home industries and home enterprises is steadily increasing, and in these the laws of labour protection are not observed. On the other hand, all the old undertakings, with very few exceptions, are carried on under very unfavourable conditions. In visiting them, the labour inspectors notice that there is great neglect, that the buildings are badly adapted to the purpose, that the

[1] Nos. 144, 147, 164, etc. of *Economic Life*.
[2] No. 21, September 1920.

ventilation is unsatisfactory, and the premises dirty and overcrowded, that there is much dust, no implements whatsoever for removal of refuse or for the safeguarding of machines, that there is a lack of lavatories, washstands, drinking water, and poor living conditions. Further, *Economic Life* remarks that the State organs have shown but slight activity in the protection of labour.

The *Economitcheskaia Shisn* reports in No. 210 that the Labour Inspection has investigated during the first six months of 1920 in the county of Moscow alone 1,369 industrial enterprises, and has found 2,995 instances of violation of the labour-protecting laws. This number is distributed as follows: unsanitary conditions in workshops, 867; mechanical imperfection, 650, etc. Excessive working hours, employment of the young and of women, and flagrant violation of the protection accorded prospective mothers are offences to be found in nearly all enterprises. As the central authorities take no practical steps for the protection of labour, the labour inspectors have themselves frequently issued regulations. For example, children under fourteen years of age may no longer be employed in the transport branch as formerly. Women may be employed in this branch only at lubricating and oiling machines, and then only if suitably provided with work clothes by the Central Government. Cases have come to light where pregnant women were refused leave of absence by the factory surgeon. It is the intention of the factory inspectors to prevent such occurrences in the future and also to prohibit the employment of persons over sixty years of age. An idea can be formed of the exploitation of workmen practised in Soviet Russia (the Soviet Government calls it ‘ work duty ’) from the following statement in the Bolshevik paper, *Pravda*, from the middle of January 1921, emanating from a workman employed in a Moscow paper-money factory. More than one-half of the 7,000 employees of the factory are adolescent women. Workers are divided into two groups, one for day and one for night work. They are forced to spend thirteen hours daily in a factory where the most unsanitary conditions prevail, as may be easily imagined.

The cleaning of machines is done by means of poisonous chemicals that affect the lungs and cause inflammation of the eyes and hands. Notwithstanding the total lack of air pipes and other means for ventilation, the workshops are never aired, and it frequently happens that workwomen faint or collapse at their machines.

In order to complete the picture of the conditions of labour in Russia, let us quote the following two notices from the Communist paper, *Pravda*. In No. 8, 1921, of that publication, we read :

'It frequently occurs that miners refuse to descend into the pits because they are barefoot and half-naked. It is claimed that the mine-workers are fortunate as regards food, but this is not true. Although the miner receives one and one-half pounds of bread, he has no opportunity to obtain other food, excepting meat, which he can purchase from profiteers for 175 to 200 rubles per pound. At this rate, how long will the miner's daily wage of 74 rubles and 20 kopeks suffice for his maintenance ? Owing to lack of clothes, his children are often unable to attend school. Such is the actual condition in the Donbas.'

The living conditions of the workman on the Soviet farms is shown to be, according to the Bolsheviks' own confession, far worse than was ever the case on any tolerably ordered private estate. This is, in effect, what Shershov, the Inspector of Rural Labour, writes in *Pravda* regarding the 320 Soviet farms in the county of Moscow :

'The labourers on the Sovkhoz (Soviet farms) live in tumble-down dwellings. Even in wet weather, their only foot covering is clouts or *lapti* (Russian bast shoes) bound on their feet. All go in rags, as they receive neither shoes nor clothing. Adolescents from 14 to 16 are employed at all kinds of work, at threshing machines, in cow barns and stables, and work for an indefinite time—sometimes uninterruptedly from morning until late at night. Not in a single Sovkhoz are children under 14 years of age taught to read and write. *There are no schools in the Sovkhoz nor in the villages*, and parents even send their children in their stead to the cow barns and stables.'

ECONOMIC RURAL CONDITIONS

The foundation of Russia's strength has always been, as is well known, in her rural life. Only for that reason has the Soviet power been able to last for three years and more. A country with a more highly developed industrial system and more dependent on the importation of raw materials could not have survived for so long a time the various experiments which the communists have tried in Russia. During these three years Russian industry has been nearly annihilated. The workmen have abandoned the cities for the country, city life and civilization have reached the vanishing point. The country has sunk to the lowest economic level, and the peasants, having lost all hope of obtaining manufactured goods from the cities, cultivate only such small portions of land as ensure their own existence. The peasant was convinced that his bread would be taken from him by force, and being without means of defence, he chose another method of resistance—he ceased to cultivate his field. At the Eighth Congress of Soviets the Bolsheviks spoke quite openly of the decay of Russia's chief industry—agriculture. Thus, Mr. Rykoff acknowledged in his report that conditions were unsatisfactory as regards this phase of national life. The area allotted to flax has been diminished, he says, from 530,000 *dessiatines* in 1919 to 300,000 *dessiatines* in 1920. The quantity of filament gathered in 1919, namely 5,437,000 *poods*, has fallen in 1920 to 2,054,000 *poods*. The number of sheep has decreased from the 71,000,000 of 1919 to 47,000,000 in 1920, and will probably not exceed 40,000,000 in 1921. In 1919, 3,677,000 *poods* of hide were prepared for the market, but only 1,607,000 in 1920. Sunflower seeds to the amount of 11,580,000 *poods* were gathered during the season of 1917–18, but in 1919–20 this fell to 3,640,000. But 1,500,000 *poods* of cotton have been gathered instead of 15,000,000 *poods*.

Mr. Teodorovitch made the following statement in the course of his special report on the development of rural production and the assistance necessary to this branch of industry: The general status of agriculture is unfavourable. This can be

measured by the marked diminution of the cultivated area and by the number of cattle. The cultivated area has been greatly diminished; as compared to that of 1917, it has decreased one-sixth. The space given to the cultivation of rye is 7½ per cent. less, that allotted to wheat 20 per cent. less, to oats 24 per cent., and to potatoes 13 per cent. The flax area has been diminished 32 per cent., and that devoted to hay has been cut in half. This signifies that the peasants have begun to produce only what they require for their own needs, with a very insignificant quantity for exchange. Since the October revolution, the cattle have diminished considerably in numbers. The percentage of rich peasants is less than formerly, but on the other hand, the number with moderate means is greater.

In 26 counties the area of cultivated land, as compared to the year 1917, has decreased between 6 and 7 per cent. The number of small farms (1 or 2 *dessiatines*) has risen 12 per cent., those of medium size have decreased 6 to 9 per cent. There are but one quarter as many large rural properties and farms of rich peasants. Thus, the most numerous class in the villages at present are peasant labourers of moderate means. The villages have suffered greatly. The household and farm implements are worn-out, the number of work horses has decreased. Tremendous efforts are needed to rehabilitate rural life. At the same time, much is exacted from the villages in the form of contributions from their different stock, without which industry cannot be revived.

After these general remarks, let us examine in detail some branches of rural activity.

The culture of hemp has held from ancient times a prominent place in Russian peasant life: in pre-war days no less than 97 per cent. of the whole space given over to hemp culture was in the hands of peasants and only 3 per cent. appertained to the larger estates. The average area under this crop in European Russia was approximately 563,500 *dessiatines*, the crop of which amounted to 22,000,000 to 23,000,000 *poods* of seeds, and 10,000,000 to 18,000,000 *poods* of filament. The decay of this crop began during the war, but under the rule of the Bolsheviks

it has become complete. This topic has been specially treated in an article in *Economic Life* of November 13 (No. 255). The steady decrease of the area allotted to the culture of hemp can be seen from the following table :

Years.	*Area. Dessiatines.*	*Decrease from 1909–13. Per cent.*
1909–13	563,494	—
1914	526,075	6·6
1915	484,658	14·0
1916	466,113	16·6
1917	435,816	22·7
1918	422,742	25·0
1919	317,056	43·6

A particularly important decrease is shown in the year 1919. Exact figures have not yet been obtained for the year 1920, but the Bolshevik paper itself does not anticipate that the area under hemp will exceed 238,000 *dessiatines*. If this supposition proves to be correct, there will be a decrease of 58 per cent. In such a case the crop cannot be expected to exceed 4,000,000 or 5,000,000 *poods*. The real significance of this fact is made clear by the statement that only one quarter of the average pre-war crop of 16,000,000 *poods* was exported, while three quarters was absorbed in Russia itself, chiefly in home industries.

In view of the fact that the peasants' lack of cords, ropes, etc., is constantly increasing, it is plain that the 1,500,000 or 2,000,000 *poods* that remain after deduction of the 3,000,000 or 4,000,000 for use in factories are totally inadequate. *Economic Life* closes the report with an appeal to the Government to take cognizance of the 'disastrous state' of the culture of hemp, and to take measures to prevent the total ruin of this important branch of rural industry.

The bad harvest of 1920 was a calamity for Russian stock farming. From all sides came reports of the decimation of cattle through lack of fodder. Mr. Mouralov, who speaks with authority, in an article in *Izvestia*[1] pictures the desperate condition of Russian horse breeding. Before the war, the country had 200 horses per 1,000 inhabitants. The bad crop of 1920

[1] No. 29, February 10, 1921.

had such a disastrous effect that at the beginning of the winter of 1920–21 the horse was held as the peasant's cheapest possession and was often regarded simply as a burden.

Reports of the ruin of horse stock come from all parts of the Republic. In the counties of Toola, Tamboff, and Riazan the peasants are selling their horses for three boxes of matches or for 1½ pounds of salt. The lack of fodder has led to the slaughter of many horses. Horse flesh has become the most common food, not only in the cities, but in the country as well. There are villages where the number of horses has decreased 50 per cent. The 655 tractors which the Peoples' Commissariat for Agriculture has at its disposal can by the most liberal estimate not replace more than 7,000 horses, that is to say, they can cater to the needs of, say, two *volosts* (bailiwicks) in the Viatka territory. According to the Commissariat's information concerning the central and eastern districts, the situation as regards the lack of horses is tragic. The peasants are feeding the thatch from their roofs to their horses. Sheep breeding is also in an unsatisfactory state. Before the war the number of Russian sheep in the provinces of Don, Kuban, Terek and Stavropol amounted to 7,000,000, and of merino sheep to between 4,000,000 and 5,000,000. At the end of 1920 the number of Russian sheep was but 5,000,000 or 6,000,000, and of merinos the number was only 278,000. The decrease of merino sheep was therefore 94 per cent. This decrease is still continuing, and threatens to destroy the entire breed. The care of one merino amounts to about 1,680 rubles per annum, while the sum obtained at the established price for the wool does not exceed 500 rubles. The Russian sheep is in a better position, but it yields too small a quantity of wool. It is mainly to be found on small holdings where the flocks are not large, and may thus easily escape the notice of would-be purchasers of wool. The maintenance of a Russian sheep requires 600 rubles per annum while the gain, at the established price, amounts to 75 rubles. Such is the critical condition in rural Russia to-day. The reasons for this state of affairs are manifold, and they all spring from the political line of conduct of the Bolsheviks. The economic

policies of the Bolsheviks have achieved no better results in the villages than in the towns. Here again the Soviet leaders have been prolific in destruction, but have proved sterile in creative work. Repression and militarization—these are the last words of Bolshevik authority in the peasant's domain. Great attention was given at the Eighth Congress of Soviets to the problem of combating the evil of insufficient sowing. In seeking means to this end the Soviet authorities decided upon the introduction of compulsory sowing. The Central All-Russian Executive Committee issued a regulation at the close of 1920 creating committees with a view to improving agriculture. These committees are the first step taken for organizing and enforcing a sowing campaign. It is their duty to organize a village as a production unit, in the manner of a bread factory. One of the principal aims of these rural committees is to induce the peasants as a whole to enlist in the great sowing campaign. They must take part in it with full knowledge of its significance, with the aim of rehabilitating national agriculture. A daily report of the work of the peasant committee is to be made to the meeting of rural communities. These meetings deal in detail with all questions concerning sowing, protection of the land, its better cultivation, and the regular distribution of stock and implements. The peasant committee are responsible for the carrying out of the plan of obligatory sowing. The peasants, as a whole, were strongly opposed to this regulation. The second measure adopted by the Congress consisted in offering a premium to those peasants who had proved especially zealous in carrying out the orders of the central authorities.

It is well known that in 1919 the Bolsheviks began to organize with the so-called 'Soviet Farms'. A plan was worked out according to which all the former estates were to be transformed into such farms, in the manner of great factories, with a single manager (*agronome*). Steps were taken to inaugurate the plan and nothing was neglected that might ensure success. On the deserted estates there were no implements and no cattle; moreover, there were no rural workmen, many of whom (about

55 per cent.), having received portions of land, had become peasant landowners.

A number of extraordinary measures were then introduced:

1. In the middle of 1919, instructions were given to the Gubprodkom (county supply committees) to supply machines, implements, cattle and grain to the Soviet farms first of all.

2. The neighbouring villages were laid under obligation to furnish workmen and horses.

3. In a number of localities the peasants were obliged to restore the cattle and implements that had belonged to the landowners.

4. The rural working day was lengthened to ten hours.

A year's experience with Soviet farms, however, gave most unsatisfactory results. The Bolshevik Miliutin sadly declared in May, 1920, that the Soviets have furnished only a very small amount of bread. The experiment of Soviet farms is doomed to failure. The employees are enriching themselves by disposing of the implements and cattle; speculation is rife. The measures adopted by the Soviet Government have set the peasants against Soviet economic policies. They see in the Soviet farms the estates of the former aristocrats, and naturally enough make no difference between the feudal service to which they were forced on these estates and the service which they now render on the farms. As a consequence, the 'Redcocks' (incendiaries) were common throughout Russia during the summer, and about 23 per cent. of the Soviet farms were destroyed in this manner.

In August 1920, the *Pravda* summed up the results of the Soviet's two years of activity in the rural domain and said: 'We must recognize that the results obtained show the small progress which has been made in the organization of model Soviet farms. After two years' work we have achieved, in the main, instead of good rural management, merely an absence of management. The crops of the Soviet farms do not exceed those of the average peasant, whereas in former years, when they belonged to gentleman farmers, they habitually yielded crops larger than those of the richest peasants. The appearance of these estates speak of neglect, ruin and decay. Instead of

model farms we find death common among the cattle as the result of various causes, among others hunger and neglect. It is seldom that we find an estate where all the land is carefully cultivated and sowed, where crops and hay are stored in good time. Very few farms have yielded any revenue to the State. The Soviet estates are marked by slight productiveness, by unsanitary conditions and by strong dislike of the Soviets.'

The same phenomenon is to be observed in the sugar industry. Thousands of *dessiatines* of beet-roots remain unharvested, and millions of *poods* are thus absolutely lost. The *Pravda* declares modestly that the results are more negative than positive. The peasants' dissatisfaction with the Bolshevik régime is to be explained primarily by the rulers' failure to meet the peasants' farm and household needs in exchange for their corn. *Economic Life* of November 13 acknowledges that the industry of Soviet Russia is at present not in a position to furnish even half the goods required by the peasants in return for their cereals. The greatest portion of manufactured goods goes to the Red Army, only a small and insignificant part remaining for the peasants.

During the first months of 1920, the commissaries distributed the following quantities of manufactured goods among the peasants :

Manufactured goods	120·365 *arshins*	
Yarn on spools	19·176 gross	
Linen thread	25·019 *poods*	
Cotton wool	8·157 ,,	
Shoes and boots	426·410 pairs	
Tobacco and cigarettes	74·287 *poods*	
Matches	239·587 boxes	
Soap	31·395 *poods*	
Ironware	1,683·515 ,,	
Millinery	16·464 ,,	
Sugar[a]	369·604 ,,	a
Salt	3,772·008 ,,	a

[a] In seven months.

In addition to the above, the peasants have also received glassware and lighting apparatus.

In view of the fact that Russia's present population consists of at least 80,000,000 to 90,000,000 peasants, it is easily seen how small a portion of manufactured goods can be allotted to each.

The co-operative movement, which has played a notable part in Russian rural life, suffered in 1920 a disorganization which robbed it of independence and deprived it of the power to function. Noted leaders of the movement, to whose efforts its striking success was due, were arrested and are now in prison. The entire co-operative organization in Russia has been merged into the Soviet administrative organs, and has thus lost all initiative and all freedom of action. It is not to be wondered at, therefore, that the meeting of the Central Committee of the International Co-operative Union, held from October 11 to 13 at The Hague, issued the following unanimous resolution:

'The Central Committee, having taken cognizance of the report concerning the question of communications with Russia, protests anew against the measures which have deprived the Russian co-operative organizations of their independence and liberty.'

The Soviet press itself often points to the crisis which Russian rural economic life is now passing through, and it seems not without interest to learn the view of a competent and influential Soviet agent, Ossinski, which he expresses on this question in the pages of *Pravda*.

'The critical condition of the peasants' affairs and of rural economic life in general is becoming more and more evident, and cannot be blinked. Undoubtedly, this crisis bears less heavily on the northern counties (not those of the black earth), where agriculture was not the inhabitants' chief occupation. The crisis is more acute in those regions which suffered from civil war. The peasants have always lacked plows and other machines from the industrial field. Now they have been deprived not only of plows but of scythes, carts, horseshoes, nails, iron, etc. The critical condition of the rural districts in Central Russia is clearly shown by the poorly cultivated fields and by the decrease in agricultural output.'

The poor harvest of the present year has rendered the situation

still worse, especially in those districts where the crisis was of earlier origin. Ossinski remarks further that the large number of peasants with medium-sized holdings betrays an inclination to avoid State obligations. To this end even the system of agriculture is changed in order to escape obligatory distribution of the crop among consumers. The peasants sow various herbs and horse beans instead of oats, for they know that the latter will surely be taken from them. They sow less and cultivate just enough land to satisfy their own wants, hoping to have the State make good the lack should their crops prove inadequate. For example, instead of planting a whole *dessiatine* with rye, they use but one-eighth of the land for this purpose or else use an insufficient quantity of seed if they cultivate the entire plot. In the autumn they dispose of their horses in order to escape compulsory work and have to speculate upon fodder.

Ossinski believes that it is not by means of workmen's unions, associations and other societies that the crisis can be relieved. The organization of Soviet estates and collective farms is not the chief measure for the socialistic rehabilitation of rural economic life. Such a measure would be provided by State regulation for the purpose of compelling an adequate and regular agricultural output.

The first measure taken by the State in its intervention campaign is that against insufficient sowing. In the coming year it will be possible to compel the peasants to raise certain prescribed cereals. Later, they will be obliged to cultivate their fields according to a definite system. After that, men, horses, and implements can be listed, mobilized and distributed among those localities where workers and the means of production are lacking. In this way, the yearly sowing can be regulated as a whole, and privately owned fields transformed into a large public unit, with common ploughing. With this prescription of productive labour, rural economic life can nevertheless remain individual under the system of premiums for superior labour. It is in this field above all that militarization and general labour compulsion should be introduced. Agricultural work will soon be placed in the class of 'storm' occupations. In view of the

fact that Mr. Ossinski has recently been appointed substitute to the Commissary for Agriculture it is to be assumed that his plan of militarizing agriculture will be adopted by the Soviet Government; but it can be confidently asserted as beyond all doubt that the Bolsheviks' determination to assert their own will, and to govern by sheer force through the application of militarization to the whole agricultural system and to the peasants' existence, will serve only to lead the country into an even greater economic crisis, to bring about an increase of famine in Russia and to hasten the progress of general poverty and ruin.

The Food Question

Great misfortune was brought upon the entire Russian population through the failure of the 1920 crop, joined with the breakdown of transport, the hampering of all means of supply through bureaucratic methods, and the destruction of the right to independent action on the part of co-operative societies and other public organizations. All the efforts of the Bolsheviks were directed toward the militarization of the organization for food supply. A circular letter signed by Lenine and Briukhanov was sent to all those connected with the distribution of provisions in various districts. This telegram urges the adoption of the strictest measures against insufficient autumn corn sowing. The attention of the Gubprodkoms (rural food committees) is called to the fact that the importation of rye grain is not to be expected, as the product is small and the entire country is suffering from drought. The telegram proposes: that all those in authority, especially in the districts and villages, should declare (1) that a compulsory and ample sowing of the entire area allotted to this purpose should be considered as a task of the greatest importance to the State; (2) that all persons who under any pretext whatever had neglected to plant the whole of their field allotted to autumn sowing shall be dispossessed of their lands, which will thereupon become public property; (3) that the sowing on lands belonging to soldiers of the Red Army be undertaken by the community if it so happens that their families have no members capable of this work.

A letter from Lenine is published in No. 199 of *Pravda* in regard to the campaign against famine. He says:

'The condition of Central Russia has not improved although the crops have already been distributed. The Soviet Republic has never faced a more difficult moment than at present. The work of providing supplies is carried on without energy and with a lack of organization.

'Meanwhile, the situation demands the utmost intensity and application. All Soviet and local forces should be mobilized to render assistance to the organizations for food distribution. Compulsory measures should be taken when necessary to oblige the peasants to surrender their surplus of bread. Those who conceal their bread must be arrested and sent to concentration camps for compulsory labour.'

Despite all this uneasiness, the Bolshevik official notices published toward the end of 1920 betray a rather hopeful attitude toward the food question. We must take cognizance of these notices, but it must be borne in mind that Bolshevik statements are exaggerated and do not always correspond to the actual state of affairs.

The third meeting of the All-Russian Central Executive Committee was held in September 1920. Briukhanov, the Commissary for Food, declared that although in 1917–18 30,000,000 *poods* of corn had passed through the Commission's hands, 110,000,000 were administered by it in 1918–19, while during 1919–20 with the participation of Siberia, Northern Caucasus, the Ukraine, and by making use of military supplies, it had been possible to make ready 222,500,000 *poods* for use.

These figures demonstrate the advantage of a monopoly. The quantity of corn called for amounts to 454,000,000 *poods*. Of this European Russia is called upon to produce 224,000,000, Siberia 120,000,000, and North Caucasus the same amount. Briukhanov calls attention to the failure of the supply of oil seed, the crop of which was only 5,000,000 *poods* instead of 20,000,000 as expected. Seventy million *poods* of fodder have been provided and 100,000,000 *poods* of hay. Instead of the allotted 117,000,000 *poods* of potatoes, there are but 43,000,000

poods available. In 1919, 16,000,000 *poods* of vegetables were supplied, and 1,600,000 *poods* of fruit are now expected. In 1919, 6,000,000 *poods* of meat and bacon were prepared. In 1920 European Russia was called upon for 16,000,000 *poods* of the same class of food, the Caucasus for 3,000,000, and Siberia for 5,000,000. Owing to lack of fodder, the peasants willingly surrendered their cattle, and as a consequence during the first eight months of 1920 more meat was provided than during the whole of the previous year.

The National Supply Committee (Narkomprod) hopes for 18,000,000 *poods*. The civil population cannot, of course, expect meat, because the greater part of the supply must be used for the wants of the army, only a small portion being allotted to hospitals and to public uses. The distribution of the butter in hand was not announced until March of the present year.

In 1919 only 100,000 *poods* of fat were obtained, as the product was bought in open markets and at fixed prices. During the first eight months of 1920, 820,000 *poods* were provided, but of this amount 600,000 *poods* are apportioned to Siberia, and only 220,000 to European Russia. About 3,300,000 *poods* of butter are expected according to the distribution estimate. During the first eight months of 1920, 121,000,000 eggs were stored, as compared to 307,000,000 for 1919. The fish supply will amount to 11,000,000 *poods*, which is only 40 per cent. of the anticipated quantity. The decrease in the fish supply is to be explained by the abstention of fishermen from the exercise of their trade. The problem of supplying food for the coming year is a difficult one, but it will be solved, in any event, not less satisfactorily than the previous year.

We extract the following items from the reports made to the Eighth Meeting of Councils :

	Caught in period August–November. Poods.
1917	32,000,000
1918	47,000,000
1919	57,000,000
1920	144,000,000

The Soviet Government can note a considerable increase in the fish supply. In the period July to December 1918, there were delivered 3,300,000 *poods* of fish; January to December 1919, 5,000,000 *poods*; and January to November 1920, 20,000,000 *poods*.

The quantity of delivered dairy products, reckoned on the basis of butter, was 135,000 *poods* in 1919, and 1,320,000 in the eleven months of 1920, or 40 per cent. of the total product.

According to *Pravda* [1] 194,495,000 *poods* of corn fodder was in hand in Russia as a whole by January 1.

In the regions considered separately the supplies are as follows:

Counties.	*Produced.* *Poods.*	*Anticipated.* *Poods.*
'Storm' counties	67,036,000	109,565,000
Counties in second class of production	40,661,000	67,616,000
Consuming counties	16,700,000	15,860,000
Frontier counties:		
Siberia	32,671,000	110,000,000
North Caucasus	35,114,000	120,000,000

At the plenary meeting of the Moscow Council on February 1, 1921, special attention was given to reports on the food condition of the Republic. The representative of the Narkomprod declared that on January 1, 1920, the Narkomprod had a remainder of corn amounting to 9,500,000 *poods*, of meat 900,000 *poods*, of potatoes 9,500,000 *poods*. The 'armoured' or irreducible supply is allotted at the present time to more than 3,000,000 workmen.

On the basis of the above data, the Soviet authorities and the Bolshevik papers have reached the conclusion that the Government's policy of furnishing supplies is on the highway to success. The Bolsheviks point with pride to the quantity of corn provided in 1920 as compared to the first years of their régime. The increase is a fact, but what is the hidden reason for it? It is to be sought in 'the compulsion of the authorities'. But by sheer force one can take away only that which already exists. To compel production and sowing of corn is a much

[1] No. 9, 1920.

more difficult, not to say hopeless task, although the Soviet authorities from their point of view are perfectly logical in undertaking this task, namely, to compel the peasants to sow corn.

The increase of corn provision during the year is explained by the seizure of provinces with considerable stock on hand from previous years and by the annexation of corn-producing territory such as Siberia, North Caucasus and the Ukraine. The Bolsheviks have announced that 45,000,000 *poods* are to be produced in 1920–21. Of this quantity 23,000,000 *poods*, i.e., more than half, falls to the share of Siberia and North Caucasus. If we consider only the original Soviet counties, we shall see that during the autumn months of 1920 they have contributed 38,000,000 *poods*, while their output in 1919–20 during the same months was 36,000,000. In other words, the success of this year's food campaign does not exceed that of the previous year, although the efforts during the present year have been multiplied tenfold.[1]

And what, we may ask, will be the condition of the districts of Siberia and of the Kuban when these supply agencies have taken from them all the stocks of previous years? Evidently we shall see there the same result as in the original producing regions of Soviet Russia, the decrease of the cultivated area to the precise point that makes it possible for the peasants to satisfy their own wants and no more. It is only necessary to point out that the area of autumnal sowing decreased as follows in certain districts in 1920 as compared to 1916: in the Tamboff region, 8 per cent.; in Kursk, 25 per cent.; in Samara, 18 per cent.; in Perm, 40 per cent.

The increase in the meat supply in the autumn of 1920 is by no means to be attributed to the beneficent system of the Soviet Government: it is the result of lack of fodder on the peasants' farms, which compelled them to sell their cattle to the State, lest the beasts should die of hunger in the stable during the winter. The abundant meat supply, therefore, must be regarded as a great calamity to the cattle-breeding business, the results of which will be felt hereafter with increasing severity.

[1] Sviderskv: 'Our Sources of Supply,' *Economic Life*, no. 250.

After examining more closely the conditions as regards food throughout the country, the Soviet authorities themselves came to no very heartening conclusion. The following figures from *Economic Life* of January 1920 show the results of the provisioning campaign in the Ukraine as compared to the plan laid out by the Narkomprod :

Corn, 17,374,388 *poods*, or 9·9 per cent. of the expected quantity ; oil seeds, 384,631 *poods*, or 6·2 per cent. ; hay and straw, 6,805,637, or 19·4 per cent. ; meat, 949,909 *poods*, or 11 per cent. (64 per cent. was to have been carried out by January 1); bacon, 45,593 *poods*, or about 13 per cent. ; potatoes, 1,995,764 *poods*, or 7 per cent. ; and vegetables, 1,339,328, or 6·7 per cent. of the anticipated amount. *Economic Life* says :

'The reason for such disappointing results in carrying out the campaign in the Ukraine lies in the peasants' lack of a clear understanding of their duty, in the abusive power of the rich peasants, and in local insurrections in the villages.'

In No. 8 of *Economic Life* we find the following table, which shows the amount of oil seed supplied in the 'unsubmissive' Ukraine by the Soviet in 1919–20, up to October 10.

Counties.	*Expected quantity.*	*Actual supply.*	*Percentage.*
	In thousands	*of poods.*	
Alexandrovsk	530·0	—	—
Volyn	30·0	—	—
Donetz	2,000·0	39·6	1·98
Ekaterinoslaff	1,500·0	1·3	·09
Kieff	49·9	0·3	·60
Krementchoog	81·6	—	—
Mikolaev	115·0	9·0	7·83
Odessa	150·0	27·5	18·33
Poltava	158·4	2·0	1·3
Podolsk	75·0	1·9	2·53
Tchernigov	1,000·0	1·2	·12
Kharkoff	600·0	13·0	2·17
Total	6,284·9	95·8	1·52

Economic Life sadly confesses that before the war these same regions yielded 18,000,000 *poods*, and it adds that the supply for 1920 will certainly not exceed 500,000 *poods*. As a further

unfavourable factor we must remember that the delivery of the supplies depends wholly on transport, and this, as we have already seen, is in a critical condition. Therefore it is clear that the provisioning of the population is of doubtful realization.

The *Moskovskaia Pravda* (2–XII) says that Siberia has carried out the programme to the amount of 22 per cent. The greatest quantity of corn was furnished by the 'storm' counties of Omsk and Altay. Great weight is not to be given to the apprehension expressed by the newspapers concerning Siberia's delivery of corn, but attention must be called to one very alarming fact : a catastrophe is impending which threatens Siberian export. Owing to lack of fuel and defective roadbeds and rails, the railways cannot transport even that material which is brought to the stations. In October only 146 railway cars per day were running, instead of 225. In November measures looking to the betterment of conditions were adopted, but the number of cars nevertheless did not exceed 152. In October the daily average number of cars was expected to reach 288, and in November 378. The speed of trains has fallen from 400 to 200 *versts*. It is absolutely necessary to have 7,500,000 *poods* of coal, but the Siberian mines can yield only 4,500,000 *poods*. This means approximately only half the number of supply trains. Siberia possesses no storing accommodations, and sacks or corn can lie uncovered in the stations only until the snow begins to thaw.

Concerning sugar, *Economic Life* sums up the situation as follows : The Republic requires 5,500,000 *poods* per annum, but on October 1 the Narkomprod had at its disposal only 9,500 *poods*. The Ukraine has about 4,000,000 *poods*, but it cannot be exported owing to the danger from robbers—factories are sacked, transports are seized and guards disarmed. From January to July 930,000 *poods* were loaded for shipment into Russia, but only part of it reached Moscow.

Lately the Soviet authorities have declared the supplying of the Don Province to be of primary importance, yet *Pravda* asserts that since December 14, 1920, shipments

have decreased. The following table gives a view of the situation :

Commodity.	*Required.*	*Delivered.*
Corn	501,099 *poods*	321,000 *poods*
Groats	40,611 ,,	17,000 ,,
Fats	18,347 ,,	23 carloads
Meat and fish	78,045 ,,	75 ,, [a] 15 ,, [b]
Sugar	10,060 ,,	160 ,,
Salt	12,079 ,,	86 ,,
Tobacco	1,463 ,,	8 ,,
Soap	5,320 ,,	—
Corn fodder	184,404 ,,	127 ,,
Hay and straw	465,785 ,,	1 ,,
Other loads	—	36 ,,
Matches	841,928 boxes	—

[a] Meat. [b] Fish.

Thus, according to *Pravda*, the condition of the Don region has not been improved.

Foreign Trade

In the course of 1920, the question of a renewal of commercial intercourse between Russia and other countries was in the forefront of public attention. On January 16 the Supreme Council in Paris decided to resume commercial intercourse with Russia through the Russian co-operative organizations. This decision was confirmed by the Supreme Council in London on February 24. On April 26 in San Remo, as a further step, the Council voted to authorize the representatives of the Allied Powers to meet Krassin and the Russian Commercial Delegation. This consisted of Noguin, Rozovski, Litvinoff and a number of experts, and at that time was in Copenhagen. It was endeavouring to bring about a renewal of intercourse between Russia and the other countries by means of the Russian co-operative associations. The negotiations, which began in the spring of 1920 in Copenhagen, and which were later transferred to London, where they continued from May until the end of the year, dealt with the question of a commercial agreement between England and Soviet Russia. Up to the time of this writing these negotiations had not yielded any results. The conclusion

of such an agreement proved to be so difficult, so complicated and so full of dangers for the future that its realization encountered innumerable obstacles and progress was correspondingly slow. One fact deserves special attention: it is that Krassin and his agents, in their negotiations with the representatives of foreign countries and foreign firms, act much less as representatives of the Soviet Government than as representatives of the Russian co-operative organizations and its central organ, the so-called 'Central Union'. There are but few persons in Europe who know that the Bolshevik 'Central Union' has nothing in common with the former 'Central Union', which actually reflected the state of mind of the Russian labouring classes united in co-operative societies.

Three facts must be pointed out in this connexion:

1. The administrative body of the former Central Union consisted of 8 members, elected by free and secret vote. This board has been replaced by one of 10 members, not elected but appointed by the Soviet authorities. When the elected members of the co-operative society protested against this action, which is in violation of the co-operative societies' statutes, three of them were thrown into prison.

2. In the Russian delegation sent to Copenhagen and London there was not one member elected by the co-operative societies or who represents the elected members.

3. The permanent delegates of Russian co-operative societies, Messrs. Berkenheim and Zelheim and Mrs. Lensky, flatly refused to turn over to the Soviet delegation those Russian branches which were subordinate to Russian co-operative societies in London and Western Europe. Likewise, they refused to recognize this delegation as representative of the co-operative societies. The Bolshevik Government concluded no commercial treaties with any of the Western European countries in the course of 1920. But as the blockade was practically annulled by the Supreme Council's regulation at the beginning of 1920, the Bolsheviks adopted the method of making small, separate and casual purchases abroad.

Political considerations will not permit the Western European

countries to enter upon a course of permanent commercial intercourse with the Soviet Republic, but many private traders and merchants are not only ready to begin trading with Soviet Russia, but find themselves driven to such a step by the present severe economic crisis. During the year 1920 the Soviet authorities in the persons of their representatives concluded a series of commercial agreements in England, Germany, Italy, Czechoslovakia, Sweden, Denmark, Norway, and other countries. Special Bolshevik trade delegations in Reval, Riga, Berlin, London, Prague, Copenhagen, and Stockholm directed the purchase of different goods for Russia. Nearly all the material purchased by the Bolsheviks abroad was sent through Reval, and thus in 1920 this town became the one place through which the Bolsheviks had more or less intercourse with Europe.

What, then, is the total of Russia's foreign trade in 1920? The Commissariat for Foreign Trade gives the following figures regarding Russian imports through Narva in 1920:

IMPORTS.

	Poods.
Salt	61,192
Leather and leather goods	35,363
Print paper	29,587
Iron and steel	70,317
Agricultural machines	435,781
Instruments and apparatus	—
Surgical instruments	7,120
Coal	69,670
Oils and fats	623
Food products	147,171
Woodware	369
Manufactured goods and clothes	125,125
Steel products	90,837
Lead and copper products	110,665
Various machines	43,313
Ceramic goods	22,345
Mineral oils	6,375
Chemical goods	120,589
Other goods	45,405

EXPORTS.

	Poods.
Veneer	145,288
Flax	69,077
Other goods	1,409

In its issue No. 230 *Economic Life* gives a statement of Russian foreign trade from April 18 to November 15, 1920. This shows that first place as to the quantity of imported goods belongs to Esthonia, with 76·45 per cent. of the whole amount. The other countries follow in order: Sweden, 16·70 per cent.; Denmark, 4·47 per cent.; and then Germany. The imports from England and America are quite insignificant and evidently purely incidental.

As regards variety and importance of the imported goods, Sweden holds first place, with 25 different kinds of goods. From Sweden were received metals, instruments, pipes, telegraph and telephone instruments, etc. Trade with Germany shows a tendency to rapid growth, embracing automobiles and supplementary parts, laboratory implements, medicine, cloth, and metallic net (for paper factories), machines, etc. Denmark's chief imports were seeds, thin rope, and reserve parts for agricultural machines. Of agricultural machines and implements, between 94 and 95 per cent. of the whole amount were imported from Denmark, and 5·05 per cent. from Germany. In this connexion the report of Dr. Simons, German Foreign Minister, which he made to the Reichstag in January 1921, regarding Germany's export to Soviet Russia, will be of interest. It appears that goods were exported to Russia to the value of 881,948,000 paper marks during the first half year of 1920; in gold this sum amounts to 60,824,000 German marks. In 1913 the value of Germany's export trade with Russia was 880,200,000 marks in gold. Dr. Simons points out that Russia is unable to offer any manufactured goods to foreign countries, and that she pays for imports mostly with gold and precious stones.

The Bolsheviks have often declared in their publications that they have laid out a plan for purchase and export. Orders must be made in keeping with a definite schedule, according to which the needs of transport are satisfied first of all (locomotives, rails, metals, reserve parts, etc.), then agriculture and industry.

Much attention has been devoted by the Government to the

problem of creating export funds. In March 1920, special funds of this nature were formed at the public commissariats for foreign trade, destined to pay for goods imported from abroad. One billion rubles in gold was set aside from these funds with which to cover the foreign import for 1920. Such was the plan on paper. In practice the matter developed quite differently. In an article in *Economic Life*[1] Monsieur Bagaev declares that the partial opening of the frontiers took the commissariat of foreign trade by surprise, so that, partly through its own fault, partly due to the fault of others, it was unprepared for establishing foreign trade connexions without delay. As a result, party interests were allowed to become dominant, where a well-thought-out plan of action should have been adhered to.

The fact that children's toy spades, gardening knives, etc., were imported at a moment when Russia was suffering severely from a lack of technical implements proves beyond doubt that much is left to mere chance as regards foreign trade, and such a system, or lack of system, may lead to a chain of disagreeable and disastrous surprises in the future.

The activity of the Bolshevik mission leaves no doubt as to the lack of co-operation and the absence of one definitely established plan. Purchases are made quite casually, if at all, without consideration of Russia's actual needs.

The Soviet press reports on the *exports from Russia* as follows, being the findings of the commission of workmen and peasants appointed to inspect the export funds in July 1920 :

'Opposition has been encountered from the Sovnarkhoz (Supreme Council of National Economy). The export programme has been carried out only for the fur and flax branches. Regarding the wood trade, it has been found that even under favourable conditions only 100,000 standards of sawed wood will be exported, instead of the 300,000 as planned.

'If reckoned on the gold basis, the entire value of the goods destined for export would scarcely exceed 40 to 50 million rubles.'

There is a lack of proper supervision or direction as regards

[1] No. 194, September 3.

the goods intended for export. For instance, a great quantity of fine oak was sawed up for firewood.[1] No wonder that the author of an article in No. 26 of *Pravda*,[2] entitled 'An Essential Question in Our Foreign Commerce', reaches this pessimistic conclusion:

'We are disorganizing our commercial connexions in two ways: first, we are foolishly wasting our capital, and secondly, we are failing to provide any export funds. It is in consequence quite clear that we are thereby seriously jeopardizing our commercial relations.'

On the other side, serious industrial and commercial circles in Europe and America are very cautious and sceptical as regards renewing their business connexion with Russia through the present Bolshevik commercial organization. The point is that a close examination of this complicated problem proves the entire impossibility of normal and more or less intensive trade with Russia under the present circumstances.

A comparison of figures for export and import, and especially consideration of the kind of merchandise imported, demonstrates the fact—well known independently of Bolshevik statistics—that the balance was paid mostly in gold.

Will the Soviet Government be able to continue this one-sided gold payment for imports indefinitely? It is difficult to estimate the amount of gold remaining in the Soviet's coffers, and all attempts would be pure guesswork. In any event, however, the Bolsheviks in Moscow, at the highest estimate, have not at their disposal more than 300,000,000 to 400,000,000 rubles. Even were they to employ the entire fund in payment for imported goods, it would not last very long. But the point is that the greater part of this fund is destined for other purposes. In the first place, according to the latest reports of the peace negotiations in Riga, between 30,000,000 and 50,000,000 rubles must be paid to Poland. Secondly, if the commercial treaty with Great Britain should finally be signed, the Soviet Government would be obliged to pay the debts of the former lawful

[1] *Economic Life*, no. 159, July 21, 1920.
[2] February 6, 1921.

government to British subjects 'for the goods furnished and the services rendered by them'. We do not know what will be England's bill, but the amount surely cannot be a small one. Further, part of the gold fund will certainly be reserved for the most important aim of the Soviet Government—propaganda in both the East and West. In brief, the sum remaining disposable as payment for imports is quite inadequate. If imports continue or even increase, it will be necessary to give goods in return by means of export.

It is a well-known fact, at least as regards raw materials for export, that all the main sources of Russian national wealth have been destroyed by six years of civil and foreign warfare and by the Bolsheviks' senseless economic system. Russia has neither bread nor butter, neither wool, leather, nor flax, not even petroleum. The small quantities that are still available are absolutely indispensable for the Russian people themselves, for the maintenance of their own miserable existence and that of the last remnants of industry. Certain small stocks of raw materials are perhaps still to be found in different parts of Russia, but they cannot be transported owing to the disorganized state of the railways; even the Bolsheviks do not succeed in obtaining these stocks otherwise than by requisition, which, according to their own calculation, cost many times the amount realized.

Russia's natural riches are, it is true, enormous, her resources inexhaustible. It would have been relatively easy to obtain abroad, under guarantee of this potential wealth, the credit needed at the present time. Unfortunately for the Bolsheviks, no one has confidence either in the continuance of their régime or in their ability to exploit Russia's dormant wealth or to organize the country's industries. Consequently, no one is willing to extend credit to them. And without credit there can be no hope of any successful economic revival in Russia.

A question closely connected with Russian foreign commerce is that of concessions. Both in Soviet governmental circles and in the Soviet press much attention was given to this subject toward the end of 1920. On November 23, 1920, the

Council of the People's Commissariat published the following decree:

'More than a year ago the Sovnarkom took up the question of applying to the more highly developed industrial States for help in restoring through their technical and material assistance Russia's productive forces that have been undermined by the World War. Acute shortage of raw materials and a surplus of unemployed capital in several European countries, and especially in the United States, have driven financiers of these countries to approach the government of the Soviet Republic with definite offers of capital under various conditions as a means of exploiting the great natural wealth within the vast boundaries of the R.S.F.S.R. (Russian Socialist Federal Soviet Republic). The Soviet Government has in hand at the present moment a number of concrete demands for concessions for the exploitation of Russia's forests and land, such as that of her undeveloped arable areas for agricultural purposes, and for concessions of individual industries.

'In order to make the widest possible use of these means of re-establishing the productive forces of the Republic and the economic stability of the whole world, the Sovnarkom has decided to publish a general economic and juridical discussion of the conditions of concessions. (1) The concessionaire will receive a recompense in the form of a fixed share in the product, with the right of export. (2) For introducing special technical improvements, large concessionaires will obtain certain commercial advantages, such as the right to supply machines, special contracts, important positions, etc. (3) In keeping with the nature and the conditions of a concession, the duration of the grant might be considerably prolonged in order to ensure the concessionaire's complete indemnification for the risk entailed and for the technical improvements introduced in its exploitation. (4) The government of the R.S.F.S.R. guarantees that the concessionaire's property shall neither be nationalized, confiscated, nor requisitioned. (5) The concessionaire shall have the right of engaging workmen and employees for his undertaking on the territory of the R.S.F.S.R., in accordance with the stipulations of the code of labour laws or of a special treaty warranting the observance of definite terms for labour.'

A lengthy radiogram sent on December 1 from Moscow gives

information as to the districts in Russia where such concessions might be granted:

'Among the contemplated concessions for the immediate future the Siberian forests occupy an important place. They cover an area of 74,000,000 hectares in the districts of Tobolsk and Tomsk, 18,000,000 of which are situated along rivers navigable by raft; 8,000,000 hectares are available for concession.

'Among mine concessions the most important are the iron mines near Tobolsk and the coal basin of Kooznetzk.

'About 8,000,000 *dessiatines* can be ceded for agricultural purposes in the districts of West Siberia, the Oural, and the Don.'

The Central Forests Committee has likewise published a plan of concessions, according to which timbered areas may be exploited through foreign capital:

'In West Siberia concessions could be granted in the area of the rivers Ob and Yenissey, from which timber could be transported by means of the Arctic Ocean.

'The total area of forests proposed for concessions in the region of Tiumen, Omsk, Tomsk, and Yenisseysk, amounts to 74,300,000 *dessiatines*. The yearly produce of this area should be 4,000,000 sawed planks, 8,500,000 cubic metres cellulose, and 4,000,000 cubic metres of branches.'

The following fundamental rules are established for the concessionaires:

'1. The concessionaires have the right personally to select the forest districts which they desire to exploit

'2. The quantity of wood to be cut in any one year will be established by special decision, which must be approved by the Soviet Government.

'3. The concessionaires receive also the right to exploit other natural wealth simultaneously in the territory of the concession, such as agriculture, fishery, and hunting.

'4. The kind of saw-mills and other buildings for the exploitation of the forests, their number and size, are to be settled by special agreement.

'5. The holders of concessions have the right to build the necessary roads, to maintain a fleet of boats, and to exploit natural advantages, as waterfalls, peat fields, etc.'

The concessionaires are likewise authorized to exploit the mineral wealth found on the territory of the concession.

Concessions in North Russia are regulated by special conditions: 1. The area of concessions is not to descend farther to the south than the sixtieth parallel of latitude. 2. The concessionaires must erect factories and other buildings with complete outfit in keeping with the economic conditions and the extent of the concession. 3. The different districts of concession must be separated from each other by a suitable area on which all work is to be done for the benefit of the State. 4. Forests which already have saw-mills erected within their limits cannot be granted as concessions.

The Sovnarkom's decree in regard to concessions caused such commotion among orthodox communists and has provoked such violent discussion in the party that the Bolshevik leaders have deemed it necessary to explain their new policy. At the Congress of Railway Workers Trotsky offered an extremely simple explanation of that policy: 'Concessions are a form of our commerce with Europe.'

Lenine could not rest content with so simple a formula, and has given a more detailed explanation of the Soviet policy *regarding concessions. According to Lenine's declaration at* the Eighth Congress of Soviets, concessions are granted to foreign capitalists by the Soviet Government for the following purposes:

1. Concessions are granted in payment of goods imported into Russia by foreign capitalists. 2. Concessions are necessary to secure the exploitation of the natural riches which the Soviet authorities are unable to exploit themselves owing to lack of necessary means. 3. Concessions are likely to render the competition between foreign States keener, and by taking advantage of that clash of interests, the Soviet Government may obtain official recognition.

At the time of the writing of this treatise (February 1921)

the question of concessions is still one of theory, and has led to no other results than discussions in the Soviet press. On the other hand, with better acquaintance, Europe is growing more and more sceptical in regard to concessions, as well as on the question of commerce with Russia in general, and serious European and American financiers are losing any illusions which they may once have had.

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